

JPRS 84747

14 November 1983

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2473

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FINAL CONSUMPTION DEVELOPMENTS VIEWED

Prague PLANOVANE HOSPODARSTVI in Czech No 7, 1983 pp 43-54

[Text] At the current development stage, a number of problems related to final consumption have to be systematically and comprehensively reevaluated. The problems of structure and ratios in the economic reproduction process, in terms of mutual relations of production and consumption (especially from the view of a desirable development of a qualitative outline of final consumption), require our particular attention. As is known, even under the planned management conditions, the complicated structure of production and final needs in our society, together with their relative separation, result in considerable and troublesome complications in the relation between the production and final consumption sectors. In this connection, we must bring together more closely the satisfaction of the needs and the need satisfaction structure as far as capacity and method of growth and restructuring of the economy is concerned. In our opinion, the so-called intersectoral complex of needs could be a significant tool of deeper analysis of this problem of the so-called intersectoral need complex.

Final Consumption and Intersectoral Need Complexes

In the professional literature, the expression "need complex" is a relatively frequent concept. Generally, we understand it to mean a complex in the sense of a set of appropriate elements of the separate groups of individual and collective nonproductive needs (grouped or assembled according to their type and origin). These serve especially the purpose of defining the development of the living standards and, following its structural changes particularly from the view of personal and societal expenditures, of the satisfaction of individual constituency of consumer needs.

The intersectoral need complexes reflect, in our concept, the appropriate classification of the needs. But their substance lies in a definite projection of individual need groups into the total economic reproduction process. We can thus identify a net of intersectoral and interbranch linkages acting on the volume and structure of the final consumption. On this basis we can subdivide the specific (multisection and respective multibranch) economic aggregates insuring the satisfaction of appropriate needs.

The intersectoral need complexes, which are superseding the traditional classification and organization of the national economy represent, in the

first place, a new tool for a more thorough analysis of the development of final consumption (relative to its internal structure) in dependence on the formation and use of economic resources.¹

In the concrete fashioning of these complexes, we must consider a number of existing limitations. Above all, generally recognized systemic frameworks, which would enable us to determine and to follow the societal needs in their multiplicity and with an accuracy especially required for the planning purposes, are simply not available. However, we can take as a point of departure a given system of needs fashioned in the framework of the research of standards of living. We can also consider conditions such as a time horizon, needs research, and the degree of homogeneity of the totality of goods and services, uniqueness of the contribution of certain goods and services to the [satisfaction of] appropriate needs,² the method of determination and processing of statistical data, etc. Each classification of goods and services according to the complex of needs is, to a certain extent, a compromise measure between the objectives of the analysis and attainable substantiating data.

Based on our concept, it is important to distinguish a set of needs and a complex of needs. A set of needs includes all or selected part of the existing types of needs (at certain levels and degree of development of the various types of needs). However, as the practice from a need research shows, in reality we do not usually deal with needs in their "net" form. Each need forms a given complex whose components aid in their satisfaction. This is applicable equally to physiological as well as social and intellectual needs.

It is not decisive that such needs as nourishment, health protection, education, etc. represent entire groups, viewed as elements of these types of needs (various types of foods and drinks in case of nourishment, various areas of knowledge and various sources of corresponding information in the case of education and culture, etc.). Economically it is substantive that the above needs are realized through an entire complex of economic sectors and branches, including certain areas of material production. Not even expressly spiritual needs can be realized without the elements of material character (for example, publishing, musical instrument manufacture, etc.).³

From the extensive set of consumption needs, we selected as the main subject the research into the intersectoral need complexes (MOKP [mezirodvetovve complexity potreb]) covering the following areas of living standards: nourishment, clothing, housing, health, education, culture, sports and recreation. Since not only the cultural complex in the narrower sense (creativity, propagation, and distribution of cultural values and artistic creations) but an entire area of spiritual and physical culture, including the corresponding free-time activity, are supporting a so-called higher, i.e. cultural needs, we consider the corresponding MOKP group as an aggregated complex of cultural needs.

The complexes under consideration based on their production and infrastructural elements are as follows:

--Nourishment Complex. The agriculture, foodstuffs and fodder industry, machine and equipment production for these sectors and other consistent sectors sharing in the complex production (specifically agrochemistry). The services immediately linked to the agrofoodstuffs production represent a substantial part of the infrastructure of this complex. Another part of the infrastructure are trade services including the entire foodstuffs trade area and public food services. The specialized research and development base has a significant position in this complex.

--The Clothing Complex. In the production area are textiles, ready-to-wear clothing and leather industries, raw material processing, custom jewelry and machine tools, and equipment for the above, light industry branches. The infrastructure consists of repair activities and services such as cleaning, dyeing, etc. retail, and research and development pertinent to the area of this complex.

--The Housing Complex. The production area covers the following sectors: housing construction, production of construction materials and insulation materials (for housing construction), manufacture of furniture, apartment furnishings and domestic needs. The infrastructure consists of maintenance and housing management (including household furnishings repair) fuel and energy supplies (including heat) and water supplies relating to available housing, and research and development relating to all areas of housing complex and, finally, trade services which implement the appropriate activities of this complex.

--The Health Complex. The basis of the complex production sphere is the production of specific production equipment such as health instruments, machines, and equipment of soap, hygienic, and pharmaceutical production and production of consumer products and objects (medications, hygienic and soap products, etc.). Health services, i.e. health and social care are a decisive segment of the infrastructure complex. To these we have to add specific trade services and extensive research and development base.

--The Cultural Needs Complex. The production sector includes manufacture of printing, school and publishing equipment, production of cultural, artistic, entertainment and sports tools and technical equipment as well as production of personal transportation vehicles. The infrastructure which is especially extensive in this aggregate complex includes public transportation and communications, supplies of fuels for personal transportation vehicles, their repairs and maintenance, free-time services and tourism, further schooling and culture, repair and maintenance of cultural and sport objects, appropriate retail services and a research and development area.

The named intersectoral need complexes, together with the so-called basic complex containing certain production sectors (such as metallurgy, basic chemistry, machine tool production designated for these sectors and the machine industry as such, etc.), as well as nonproductive activities not included in the MOKP, covering all areas of our economy.

The basic source of initial information about the MOKP and the basic complex is the balance of intersectoral relations (BMV [bilance meziodborovych vztahu]) covering primarily the production-consumption relations between the "net" sectors (homogeneous groups of products and performance) regardless of the economic organization. Although the static BMV is not a sufficiently unified source of information about the complex being surveyed and their individual items, it contains important supporting material for the calculation of indicators reflecting the material basis of reproduction within the framework of appropriate MOKP. Further steps include the supplementing of the complexes in question with the missing items of the nonproductive sphere (not under consideration in the intersectoral balance) in such a way that the MOKP system as well as the individual complexes sufficiently cover the entire area of national economy.

The current method of defining the complexes under consideration is not without problems. Their quantification, however, yields some interesting information and enables particularly a deeper analysis of resource intensity for final consumption. But first we will concentrate on the development trends in the realization of final consumption and structural changes in the internal composition of the set of needs from the viewpoint of a given MOKP system.

Development of the Realization of Final Consumption

During the period in question there were significant changes in the final public consumption structure. These changes reflected the achieved standard of living and changes in the consumer tastes arising from the changing lifestyles and are being influenced by the existing social policy. The dependence of structural changes in the area of consumption and in development of personal incomes require closer attention.

We proceed from the definition of [gross] personal income which includes monetary wages, in-kind compensations, free products provided by public services, and free public services. The components of the monetary income are wages and salaries, social security compensation, health insurance payments, family support and social welfare, loans from savings institutions and from enterprise funds, and other income including interest on savings, insurance compensations, (lottery) winnings, and foreign income, etc. In-kind compensations are divided into agricultural and nonagricultural. Free products provided by public services are products provided by health services [medication, crutches, etc.], and schools [books and tools]. The unpaid public services are those services in the area of health, education, culture, personal transportation, and housing and communal management partly or fully compensated from social welfare funds.

If we subtract the savings [unused purchasing power] and income tax from personal income, we obtain consumption which is the total final consumption.

The following balances between formation and consumption of income have been composed of the above components on the basis of an evaluation of statistics of the monetary incomes and expenditures and the balance of volume and structure of national consumption.

Table 1. Structure of Personal Income During 1967-1980 in Percent

	1967	1970	1973	1975	1977	1980	Increase (+) reduction (-)	
							1977 1967	1980 1967
I. Monetary Income	80.7	81.5	80.4	79.9	79.3	79.5	-1.2	205.5
Wages and salaries	61.4	63.3	60.4	59.6	58.0	57.7	-3.7	177.4
Social security	8.4	9.5	9.5	9.5	9.7	10.1	+1.7	216.5
Health and insurance compen- sations	1.6	1.9	1.3	1.3	1.4	1.4	-0.2	167.7
Family support and welfare	2.3	3.1	3.5	3.4	3.3	3.6	+1.3	255.6
Borrowings	3.1	2.4	3.4	3.0	3.2	2.9	-0.2	190.7
Other income	3.9	1.3	2.3	3.3	3.7	3.8	-0.1	181.9
II. In-kind Compensation	3.6	3.3	2.4	2.1	1.8	1.7	-1.9	92.2
III. Free products provided by public services	1.5	1.0	1.6	1.7	1.7	1.9	+0.4	215.6
IV. Free public services	14.2	14.2	15.6	16.3	17.2	16.9	+2.7	228.0
V. Personal income	100.0	100.0	100.0	100.0	100.0	100.0	--	187.7
VI. Savings	-3.2	-3.7	-4.6	-2.9	-3.5	-2.3	-0.9	207.1
VII. Income tax	-7.2	-8.4	-8.2	-8.4	-8.5	-8.9	+1.7	221.8
VIII. Total consumption	89.6	87.9	87.2	88.7	88.0	88.8	-0.8	184.3
								206.6

Sources: Own calculation based on given statistics

Table 1. Provides a graphic view of the development and structure of the personal income during 1967-1980. These main trends are notable from the analysis:

In Terms of Income Formation

--Compared to the base period, the personal income increased until 1977 by 87.7 percent and in 1980 by 108.6 percent whereas consumption increased by only 84.3 percent and 106.6 percent respectively, that is somewhat less (primarily due to an increase in income tax);

--Total monetary incomes increased by 84.3 and 105.5 percent [in 1977 and 1980]. Their basic components, however, reflected a different dynamic. Wages and salaries and health insurance compensations increased slower than total income. Social security payments increased by 116.5 and 150.9 percent and family support and welfare by 155.6 and 219.4 percent (as a result of increases in child and maternity allowances);

--There was a drop in the volume of in-kind compensations (-7.8 and -2.9 percent);

--Especially rapid was the rise in inventories (by 115.6 and 156.1 percent) and in free public services;

Viewed in Terms of Income Structure

--There was a moderate drop in the ratio of monetary incomes to personal income (from 80.7 to 79.3 and 79.5 percent respectively). At the same time the ratio of wages and salaries relative to personal income dropped by 3.4 and 3.7 [percentage] points while the social security increased by 1.3 and 1.7 percent; family support increased by 1 and 1.3 points;

--There was a consistent increase in the ratio of free public goods and services (their volume increased from 15.7 to 18.8 percent);

--There was a considerable drop in the ratio of in-kind compensation from 3.6 to 1.8 and 1.7 percent [in 1977 and 1980];

--There was a trend toward a moderate increase in the ratio of income tax to personal income--from 7.2 to 8.5 and 8.9 percent, respectively (ratio of net wages and salaries to consumption was less than 50 percent in 1980).

The dynamics of capital formation in the national economy and its final utilization (derived from the indicators nominal prices) is staying ahead of the dynamics of formation and utilization of personal income and even ahead of the dynamics of the income and outgo of the federal budget.

This positive trend reflects a certain consistency between the capital formation and utilization viewed from the points of production, finance, and consumption. The indicators of the dynamics of the capital formation and final utilization and the volume of personal consumption in the framework of intersectoral need complexes verify this consistency or, to be more precise, a certain unity between its production, financial, and consumption aspects.

Table 2. Consumption Structure According to the Sets of Needs During 1967-1980 (in nominal prices)

	1967	1977	1980	Increase (+) decrease (-)	Indexes 1977 1967	1980 1967
I. Nourishment	38.7	31.4	30.5	-8.2	149.0	162.8
Purchases from retail	88.7	92.8	93.4	+4.7	155.9	171.3
Farmers' market	1.5	1.9	1.4	-0.1	180.1	152.5
In-kind consumption	9.8	5.3	5.2	-4.6	81.3	87.0
II. Clothing	11.3	10.3	10.2	-1.1	167.7	168.1
Purchases	90.4	91.5	91.9	+1.5	169.9	183.9
Special orders and services	9.6	8.5	8.1	-1.5	147.6	156.9
III. Housing	12.9	15.6	16.1	+3.2	222.7	258.4
Purchases	49.4	56.5	53.0	+3.6	254.8	277.3
Rental	11.1	12.1	13.6	+2.4	241.1	312.0
Gas and electricity	7.7	7.0	9.9	+2.2	199.9	330.6
Other fuels	10.5	6.1	7.5	-3.0	130.2	186.0
Water	0.3	0.2	0.2	-0.1	129.7	155.4
Repairs and services	20.9	18.1	15.8	-5.1	193.0	195.6
IV. Health	6.2	5.9	6.1	-0.1	175.6	202.3
Paid and unpaid products	23.1	30.8	30.0	+6.9	234.1	263.2
Services	76.9	69.2	70.0	-6.9	158.0	184.7
V. Schooling	5.7	5.8	6.0	+0.3	188.7	218.9
Paid and unpaid products	11.1	17.1	17.0	+5.9	290.7	335.5
Services	88.9	82.9	83.0	-5.9	176.0	204.3
V.a) Cultural, Recreational, Sports	13.1	14.3	14.9	+1.8	201.7	234.5
Purchases	41.9	51.5	49.1	+7.2	248.2	275.2
Personal services	34.2	27.9	29.6	-4.6	164.4	202.8
Culture	19.2	15.6	15.3	-3.9	164.3	187.3
Communications	4.7	5.9	6.0	+1.3	212.4	295.9
V.b) Transportation	7.9	10.2	10.3	+2.4	237.2	267.9
Public transportation (personnel)	69.7	58.7	58.5	-11.2	200.1	225.0
Purchases of personal transportation vehicles	20.3	21.5	16.4	-3.9	251.3	216.2
POL	8.6	16.2	21.5	+12.9	445.5	666.6
Auto repair	1.4	3.6	3.6	+2.2	596.7	696.7
VI. Other services	4.2	6.5	5.9	+1.7	290.1	295.2
Total consumption	100.0	100.0	100.0	--	184.3	206.6

Sources: Own calculations on the basis of the Federal Bureau of Statistics

Nevertheless, if the expenditures (personal and societal) for overall consumption during the period under discussion indicate relatively greater dynamics, then the various types of needs classified according to individual MOKP have considerably differentiated dynamics (the growth index 1980/67 varies according to these complexes from 62.8 to 167.9 percent)--see Table 2. The sets of needs with material prevalence (particularly nourishment and housing) were marked by a substantially lower growth than the sets of needs prevalently in the nature of services. This basic trend reflects positive changes in the structure of final consumption.

Closer attention should be paid to the changes in the ratio and internal structure of the sets of needs in question.

--In the overall increase of expenditures for nourishment in the 1967-1977 decade and up to 1980 by 62.8 percent, the ratio to personal income decreased from 38.7 to 31.4 and 30.5 percent; that is by 8.2 percent during the period studied.

During the period under discussion, the ratio of expenditures for foodstuffs purchased in retail has increased from 88.7 to 93.4 percent and at the same time there has been a substantial decrease in the ratio of in-kind consumption from 9.8 to 5.2 percent. The increase in the expenditures for food was partially affected by the increase in retail prices of some foodstuffs, particularly in the relation between the food consumption of vegetable and animal origin. The increase in prices of the foodstuffs was, during the given period, rather moderate--on average, the prices increased by 3.8 percent until 1977 and by 6.4 percent² between 1977 and 1980. The dynamics were actually lower than the increase in prices in the production sector and thus remained behind the increase in production costs for agrofoodstuffs (especially in the area of animal production). This, in turn, had to be compensated by increasing the price adjustments and subsidies from the federal budget in the production as well as in retail.

--The Housing Costs have shown especially strong movement. They increased by 122.7 and 158.4 percent during the research period while the housing to total expenditure ratio increased from 12.9 to 16.1 percent. Individual items in this area have increased as follows: Retail purchases, mainly of household items and equipment and construction material increased by 134.8 percent until 1977 and 177.3 percent until 1980 (their share in the overall housing expenditures increased from 49.4 to 53.0 percent). Rental has increased by 141.1 and 212.0 percent respectively. The reason was that during 1970-1980 the number of apartments in housing developments (federal and cooperative) increased by 720,000 which significantly increased the ratio of modern apartments at higher rental fees in the overall housing market.

The rental ratio increased from 11.2 to 13.6 percent, but is still remains relatively low and the housing management (which includes rental costs, electricity and gas, water and heat, construction repairs and services) was, for example, financed 25.5 percent from federal budget [subsidies] in 1980. This item increased in the years 1967-1980 by 186 percent. If we would project this into the real amount of rental fees in 1980, it would only show an average increase by 74 percent.

Electricity and gas costs increased by 99.9 percent by 1977 and 230.6 percent by 1980. This increase was caused by the price increases of electricity and gas in 1980 (by 50.3 percent). Similarly, there was a price increase for other fuels (by 53.4 percent); in this case, the expenditures grew by 30.2 percent until 1977 and by 86.0 percent until 1980. The water costs show the smallest movement--they increased by 29.7 and 55.4 percent respectively; its ratio relative to total housing costs dropped from 0.3 to 0.2 percent. More than in foodstuffs, the housing cost increases were influenced by increases in consumer prices. For example, household appliances increased in price by about 20 percent during the period in question while other household items increased by 26.2 percent, construction materials by 35.0 percent, construction and housing maintenance by 30 percent, etc.

--Expenditures for Clothing had the lowest dynamics from the given set of needs for the period in question (an increase by 67.7 and 85.8 percent, respectively) and their ratio to overall consumption fell from 11.3 to 10.3 and 10.2 percent. Retail purchases of textile, clothing, and shoe industry products increased by 69.9 and 88.9 percent and special orders and services by 47.6 and 56.9 percent. The increase in expenditures for clothing was tied, to a certain extent, to the increase in retail prices (textile goods prices increased by 14.2 percent until 1977 and by 18 percent between 1977-1980; shoe industry products rose by 23.3 and 7.3 percent, in special order men's suits in years 1967-1980 by 80.8 percent and women's dresses by 73.7 percent). However, it was probably also affected by the increased purchases of higher quality goods, i.e. more expensive fashion goods. In contrast to foodstuffs, the industrial goods retail prices destined for clothing and the prices of services in this area are not subsidized. Children's clothing subsidies were largely discontinued in the price adjustments of the last decade.

--Health and Schooling Expenditures show about the same ratio to consumption (6.1 and 6 percent in 1980) [sic]. Somewhat faster movement has been in education costs (which increased by 88.7 percent by 1977 and 118.9 percent by 1980, whereas in health area it was 75.6 and 102.9 percent). Characteristic in both cases is the large share of products and services provided to the public free of charge. In the area of education it was 89.7 percent by 1980 and 94.4 percent in health care that was covered by the federal budget [subsidies].

--Characteristic of the entire period was the relatively fast increase in expenditures in cultural, recreational, and sports areas. These costs increased through 1977 by 101.7 percent and up to 1980 by 134.5 percent. Their ratio increased from 13.1 in 1967 to 14.9 by 1980. The ratio of retail purchases in this set of needs increased from 41.9 percent in the base period to 51.5 percent and 49.1 percent. The retail prices in these areas remained relatively stable. Even though the ratio of expenditures in culture fell from 19.2 percent and represent 68 percent of expenditures for culture in the year 1980 compared to 24.9 percent in 1967. Communications expenditures increased by 112.4 percent and 195.9 percent (particularly in the last period as a result of increased charges).

--The shift has been highest in the need group in the area of passenger transportation. Expenditures increased by 137.3 and 167.9 percent while the ratio

to overall public expenditures increased from 7.9 to 10.2 and 10.3. The main item of expenditure are the services provided by public transportation. These costs more than doubled, still their ratio dropped from 69.7 to 58.5 in 1980. Public transportation was subsidized from the central funds to the extent of 62.2 percent in 1980 while in 1967 it was only 48.4 percent; the increase came to about 185.1 percent during the period under study. The purchases of personal transportation vehicles, which has been very dynamic for an extended period of time, decreased in the recent years. As a result of increasing prices for fuels, the POL costs were up by 566.6 percent from 1967 to 1980. Its volume exceeded the volume of purchases of personal transportation vehicles and their ratio to overall expenditures in the framework of the set of needs under study from 8.6 to 21.5 percent. Auto repair costs have also been increasing very rapidly with the index of expenditures having the highest rate of increase.

If we consider the expenditures for education, culture, sports, and recreation, personal transportation and communications in toto, then their ratio to consumption has been developing as follows: in 1967 it was 26.7 percent in 1977, 30.3 and in 1980 it further increased to 31.2 percent.

The last group of needs, indicated in Table 2, as other services, represents the total of paid-up loans and interest, insurance, contributions to social organizations and other unspecified personal expenditures. Their ratio to consumption increased in the given period from 4.2 to 5.9 percent.

In conclusion we can state that the structure of consumption, according to the set of needs under study and their development, does not point to any significant deviations from the volume ratio of final consumption derived from the analysis of the individual MOKP (Table 3). For example, the ratio of food purchases to consumption was 38.7 in 1967 and 31.4 percent in 1977 whereas according to the corresponding MOKP data the drop was from 40.5 to 33.3 percent. The ratio of other expenditures shows larger deviations. This has been caused by various factors as well as by the fact that the consumption compensated from public funds could not be determined accurately (according to the breakdown by the sets of needs under study). Nevertheless, both indicators show a certain correlation with the overall development characteristic of final consumption and income utilization.

Table 3. Final Consumption Structure According to Intersectoral Need Complexes and According to Total Consumption (in percent)

	<u>MOKP consumption</u>		<u>Consumption</u>	
	<u>1967</u>	<u>1977</u>	<u>1967</u>	<u>1977</u>
Nourishment	40.5	33.3	38.7	31.4
Clothing	11.3	10.5	11.3	10.3
Housing	10.0	13.1	12.9	15.6
Health, education, culture, sports and recreation	27.4	31.1	26.7	30.3
Other consumer needs	3.9	4.2	4.2	6.5
TOTAL	100.0	100.0	100.0	100.0

Sources: Own computation methods based on statistical data

Final Consumption Demands on Resources

Insuring nourishment, health care, and other final consumer needs depends on the labor cycle with individual elements separated by type of reproduction (specialized activities in the framework of productive and nonproductive areas) linked in a descending order and forming corresponding chains aimed at definite final outcome. According to our opinion, these chains represent the very substance of the intersectoral complexes of needs.

Basically, these complexes are the expression of multilateral mutual relations between the various types of needs in the economy. Of basic significance in the formulation of these relations is the fact that increasing the standard of living cannot derive from the increase of these needs but must respect the economic potential and thus the amount of means and resources that the society can utilize toward the satisfaction of the individual types of needs. MOKP is an appropriate tool for a deeper economic analysis of conditions for the development of final consumption (viewed from their material and value aspects), because it enables, a concrete linkage of needs to the resources needed for their satisfaction.

The problem of economic efficiency and reduction of material and capital intensity of production is one of very significant ones conditioning further economic development. A long-lasting stagnation of the world raw material and fuel prices ended at the beginning of the seventies and a highly unusual upward price spiral began to effect the CSSR economy by the year 1977. This process continued through the years and by the early eighties it was so serious in terms of resource imports that the continuity of economic growth shifted to a new trajectory hampering the maintenance of the existing standards of personal and public consumption.

The substance of long-term regulating is that the gradual structural changes in production are to place our economy into a more effective position in the worldwide division of labor. Here the emphasis is more on capital efficiency than search for an adequate level of capital formation. Minimum of investment relative to production increase or final utilization becomes the key technoeconomic element affecting the production trends.

Intersectoral need complexes must fulfill their function in supplying the consumer needs even under the conditions of limited economic growth. It is assumed that there will be a differentiation in the structure and amount of growth at the same time that there is a shift from quantitative to qualitative effects.

The intersectoral need complexes, together with the so-called basic complex which contains other activities not included in the MOKP, cover all branches or sectors under study in the balance of intersectoral relations. On this basis, such indicators are material cost, main sources of production consumption (such as fuels and energy), capital assets, amount of labor, further depreciation, wages, and import (for production and for final consumption) and others have been quantified within the individual complexes (at utilization and at producer prices) [retail and wholesale?]. These data, together with the

derived accounting indicators, enabled the characterization of the MOKP and of the basic complex to follow the development of their internal structure and, particularly, provided for a deeper analysis of the resource intensiveness of production of the individual complexes and their trends in the period under study.

The evaluation of the development of material consumption, capital and import intensiveness of the production of individual MOKP and the study of problems related with the effect of various factors on these indicators, even if they are accomplished, in the given case ex-post, are, in the given context, unavoidable. They serve to clarify the strategy of the differentiation of further development of these complexes on the basis of the level of resource requirements and ability to call up reserves contained in their production potential.

The basic characteristic of the development trends in the production requirements in MOKP and in the basic complex during the years 1967-1977 can be seen in Table 4.

A reduction in the material intensiveness of production during the period under study has taken place only in the complexes of clothing and health. The material cost ratio for production or final consumption (depreciation included) dropped in the year 1977 as compared to 1967 in the basic complex and in the production sector as a whole. The housing complex indicates the fastest growth in material intensity--its share increased by 12.2 percent. While the material intensity in the foodstuffs complex stagnated as such and, if we include depreciation, it actually increased by 2.3 percent. This caused the material intensiveness to rise mildly in the entire system of intersectoral complexes of needs.

As a result in price increases of fuels, energy, and chemicals, all ratios of these significant items of production consumption to production have increased. The fuel-energy intensity of production dropped slightly only in the health complex. Collectively under MOKP, the ratio increased from 3.2 percent in 1967 to 4.6 percent in 1977. Considerable increase in fuel-energy intensiveness can also be seen in the complex of cultural needs--from 5.6 percent to 10.1 percent as compared to the basic complex increase from 9.0 to 9.1 percent and in the national economy from 6.6 to 7.3 percent. The fuel-energy intensiveness of MOKP as a whole is lower than the requirements of the basic complex; in contrast, the chemical intensiveness of MOKP is higher. Within MOKP the chemical intensiveness of production of the complex of cultural needs dropped from 3.6 to 3.3 percent while in the complex of nourishment and housing it increased substantially.

--Import intensiveness of production dropped only in the nourishment complex. The reason is that the overall import intensiveness in the entire MOKP system in 1967 was higher than in the basic MOKP, whereas in 1977 the situation was reversed (it increased in the basic complex from 7.7 to 12.2 whereas it increased substantially less--from 9.0 to 9.9 percent). The production in health and cultural need complexes remains considerably import intensive.

--Developments in output per unit of labor was favorable in all MOKP even if it remains higher than in the basic complex. The level of labor productivity

Table 4. Developments in Material Intensity, Labor Inputs and Capital Intensity of Production in Intersectoral Complexes in Terms of Needs in National Economy

	Material intensity ¹		Fuel and energy intensity		Chemical intensity		Import intensity		Production labor intensity ²		Capital intensity	
	1967	1977	1967	1977	1967	1977	1967	1977	1967	1977	1967	1977
1. Nourishment complex	0.66	0.67	0.018	0.026	0.032	0.054	0.098	0.080	10.43	6.03	0.68	0.85
2. The clothing complex	0.70	0.67	0.024	0.025	0.061	0.096	0.076	0.115	7.32	4.59	0.44	0.48
3. Housing complex	0.61	0.69	0.077	0.091	0.050	0.087	0.042	0.075	7.56	4.37	0.68	0.71
4. Health complex	0.64	0.57	0.045	0.043	0.218	0.216	0.108	0.184	5.89	2.88	0.44	0.46
5. Cultural need complex	0.58	0.59	0.056	0.101	0.036	0.033	0.128	0.165	9.92	5.25	4.50	3.03
6. I. Total MOKP system	0.65	0.66	0.032	0.046	0.043	0.066	0.090	0.099	9.40	5.39	1.07	1.06
II. The basic complex	0.62	0.60	0.090	0.091	0.033	0.040	0.077	0.122	6.21	3.66	0.97	0.83
III. Total production complex	0.63	0.62	0.066	0.073	0.037	0.051	0.082	0.112	7.53	4.35	1.01	0.93

Sources: Own calculations based on statistic data BWV (in producer prices).

Notes: 1. Including depreciation;

2. Number of workers per Kcs 1 million of production.

is higher than in the basic complex only in health area. However, the labor productivity is faster in MOXP as a whole than in the individual complexes with the exception of clothing.

--Capital intensiveness of production in the individual MOKP increased, only in the cultural complex it decreased significantly; this was reflected in a moderate drop in this indicator for the entire MOKP system. Efficiency of production capital assets dropped substantially in nourishment complex (by 20.4 percent); in the clothing complex it was 8.7 percent, health 4.4 percent, and housing by 4.1 percent. The effectiveness of capital assets in the basic complex increased in 1977 as compared to 1967 by 16.7 percent, whereas in the MOKP by only 1.1 percent.

The developments in material intensiveness of production in individual MOKP (according to BMV) do not provide an exhaustive answer about their overall intensiveness relative to some inputs which are in deficit. An expanded analysis of the developments in the material intensiveness of production of the complexes under study, which are limited on the basis of a synthetic balance of the productive and nonproductive spheres), provide a more accurate data about the increasing intensiveness of final consumption relative to individual production factors. This analysis also confirms the worsening of the development in the resource intensiveness of MOKP production, particularly in the late seventies.

Considering the perspectives of further MOKP developments, the elements contributing to continuity in the past period lie in insuring and maintenance of the overall levels of the consumption on the basis of more effective production. Primarily that is in the increase of the absorption capability of technological progress which should make possible a reversal of the recent dropping trend of final utilization and personal consumption in the overall utilization of available resources. But insuring imports for the MOKP as well as for the basic complex requires further growth of the ratio of exports to final consumption. The perspective of further development of intersectoral need complexes does not appear to be that simple and will, to a great extent, depend on the overall climate in external relations and developments on the world markets.

This requires that even more consistent attention be paid to reproduction linkages which play an ever increasing role in consumption oriented to allocation of labor in the full extent of the final consumption. For this purpose, as has been stated, we can use the implementation of the intersectoral need complexes. It can be assumed that through MOKP we will be able to record and express more accurately the results of a differentiated development of individual areas of standards of living for the production structure, development of nonproductive sectors, development of the standards and structure of accumulation, of possible and desirable ratios of personal and societal consumption as well as for other economic proportions.

FOOTNOTES

1. See "Intersectoral Need Complexes--Basic Views," POLITICKA EKONOMIE No 3, 1983. ["Meziodvetvove komplexy potreb--zakladni hlediska."]
2. Consumption of goods and services does not exhaust the entire problem from the view of standards of living. Its significant point are conditions effecting the needs satisfaction. It can be divided into material condition (including the environment, social [conditions] (based on the distribution of income and transfer payments and shares of total consumption) and time (length of the work-time, its scheduling, and structure of the free-time utilization). Compare V. Sova: Living Standards and Its Planning [Zivotni Uroven a jeji planovani], Svoboda, Praha 1978, page 25.
3. On this basis we do not consider the distinguishing of the economically conditioned complex of needs (foodstuffs, habitation, clothing, etc.) or psychologically motivated (education, cultural and other spiritual) needs as justified. Each complex of needs is (to this or that extent) economically motivated; the development of the contemplated complexes reflects, among others, a psychological motivation.
4. Fruit retail prices increased by 26.9 percent from 1967 to 1977 and by 35.6 percent until 1980; vegetables by 39.2 and 60.7 percent, respectively (most of all potatoes by 80.3 to 100 percent).

CSO: 2400/48

FODDER SHORTAGES, ALTERNATE SOURCES

Optimal Use of Organic Matter

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German No 37, 16 Sep 83 p 4

[Address by Peter Findeis]

[Text] An experience exchange was conducted last Friday in the Ministry of Agriculture, Forestry and Foods Economy on the harvest and the optimal use of fodder. It focused on the measures issued by the SED Central Committee Politburo and the Council of Ministers. Along with scientists and practitioners it was attended by the sector chiefs for crop and livestock production in the bezirk councils and the directors of all scientific-technical centers and their deputies for fodder. The conference was chaired by Deputy Minister Comrade Peter Findeis. Excerpts from his address and from the discussion are presented in the following.

By way of introduction Comrade Findeis pointed out that the weeks and months ahead would be making higher demands on political work and labor and that one should have to make sure everywhere for everyone to be thoroughly familiar with his tasks which he should fulfill as best he could. We all know, he said, that the weather has cut down yields considerably, especially in such important crops as potatoes, corn and sugar beets. They cut down on our fodder supplies because official crop production targets have to be met.

As to estimates at hand, 70 percent of the silage requirement is at present being met, 103 percent of the hay and dry fodder, and 105 percent of the straw. So we must prolong to late in fall the use of pasturage on tiny and split lots and stubbles that do not go into silage. That applies to cattle and sheep as well as pigs. For silage maize it is necessary to schedule the most favorable harvesting period for every acreage and not to start harvesting before 20 September. Potato and beet fields are to be reworked several times letting sheep and heifers go over them before plowing.

Comrade Findeis made a point of checking the root crop and fodder harvest schedules everywhere to see how through extending the vegetation period additional yields can be harvested. Based on straw balances measures should be

taken that ensure a maximal use of feeding straw. That involves particularly making available mixed silage, mainly with summer catch crop and beet tops. Especially for the pigs one should even now select the sort of stubble-pasture that will supply the pigs with the proper fresh fodder down to late fall.

To equalize territorial differences in the production of rough fodder, the speaker recommended setting up bezirk-reserves in feeding straw, straw pellets and hay. To that end one should now start multi-shift operations for drying and pelleting installations. Per ton of pressed fodder, 0.5 tons of wet scrap are made available directly. Soda lye should be used everywhere to get the most out of straw in terms of its fodder energy.

Comrade Findeis underscored emphatically that for feeding economically the first consideration was to meet the state requirements in livestock products and to ensure a smooth transition to the new fodder harvest. That was significantly facilitated by a consistent use of fodder, proper as to species, in accordance with updated feed schedules.

In principle, one should have to proceed from the actual nutrient values. To ensure that, state livestock feed testing is being asked to make concrete recommendations to the LPG's [agricultural producer cooperatives], VEG's [state farms] and their cooperative facilities that are derived from survey results. For green fodder as well as silage, in the stables as much as on pasture land, one must look for alternatives for putting as much straw as possible into rations. That is necessary in order not to attack the winter supplies even now.

Prior to allocations or distributions one must be informed accurately about the volume and quality of the fodder and about the livestock's performance-related requirements. From that it follows that the nutrient balances and the fodder schedules for stables and pasture lands derived from that become part of management activity.

One must include in one's consideration how to organize even now the growing of winter catch crop, proper as to schedules and varieties, to make fresh green fodder available for next year as early as possible. That implies growing as pasture land close to the stables mainly winter fodder rape, beets, rye and meadow grass. Especially suitable winter catch crop acres should still be fertilized so they can also still be used as pasture land in late fall.

Peter Findeis expressed criticism about the tapping of some fodder reserves. That pertained particularly to the complete utilization of all waste products in processing, commerce and households. Here it is necessary for state management, social organizations and agricultural enterprises to coordinate their efforts. Fodder activists groups have thus done well in assessing monthly yields, taking care of material-technical prerequisites and helping in the sponsorship of vivid competition.

Along with making maximal use of kitchen offal, one should carefully collect and take account of such foodstuffs as pulp, mixed protein silage, whey, butyric acid, slops, brewer's grains, brewer's yeast, brewer's barley residue, poultry litter and poultry and pig excrements. Forestry has made available 70,000 hectares of wooded pasture that are not being used adequately.

Uneven results in the fodder economy also induce us to undertake greater efforts. While in the bezirks of Frankfurt, Dresden and Gera optimum values are already being achieved, other bezirks are still far behind. Surveys indicate that reducing such disparities means reducing fodder allotments by as much as 10 percent. From that Comrade Pindels derives the need to encourage and stimulate the fodder economy most emphatically through competition projects and maximum performance conceptions.

It was more necessary than ever to get oriented to optimum values, consistently use our scientific-technical progress and exploit all opportunities of the performance comparisons. Scientific-technical centers bore a special responsibility to it. They have to direct all their strength at using all that grows safely and optimally.

Cooperation Key to Dilemma

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German No 37, 16 Sep 83 pp 4-5

[Address by Horst Saage]

We shall not hide behind the drought and moan but use the many clever thoughts and ideas of our cooperative farmers to get out of our straits. Good cooperation in all sectors is crucial for it.

Anyone who can be spared in livestock production must help in reaping the root crop stubble fields for long-term storage, so that the summer fodder rye gets into the pig troughs. As long as something green is showing outside, we feed the green. Silage will not be attacked before November. Straw under the roof also is taboo. We are fetching it from the piles outside now.

We shall try to reduce the shortage in concentrate by pelleting whole cobs of corn. We have set aside 100 hectares for it. Our cattle gets as much straw as possible. Molasses sprinkled on it (at a 1:5 ratio) make for tasty rations.

Now feed potatoes will be steamed and fed fresh to avoid canning losses. The driers wash and cut up the feed beets for us. We also mix fine chaff into it there to catch the juice.

It seems terribly important to us that the fodder commission of the cooperation council now gets more authority. It has therefore been granted more freedom of decision as it is, after all, the intellectual center in matters of the fodder economy.

Long Grazing Saves Reserves

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German No 37, 16 Sep 83 p 5

[Address by Dr. Eberhard Wojahn]

What matters now is taking inventory for every cooperation. We must find out what we have, what can still grow and how everybody manages. That is quite uneven in the different territories. For instance, the central and northern bezirks

need all the sugar beet tops for the pigs. In such cases it must then be silaged without chaff. Elsewhere it should be canned after having been well mixed with chaff.

We must abide by a sequence in the harvesting of stubble crop and the third and fourth pasture growth or perennial forage crop. Anything movable, above all legumes, should be harvested as fresh fodder for pigs or ensilaged.

What is not movable should in principle be grazed off before plowing, by heifers for forage remote from stables, by milk cows with stables close-by. But drying plants also can still process green fodder. Pellets have done well here with equal dry substance proportions of straw and green fodder as cattle feed and total maize crop pellets with legumes as pig feed.

Cooperatives that have not yet carried out a "day of late fall grazing" should now definitely do so. First one must assess all grazing areas potentially available. Then one finds out which herds use what kind of growth. And then one should consider whether there might not be still more livestock that could be put out on pasture. Long grazing finally also preserves the winter supplies. Yet even in the cold season pasture land can still be used, by sheep, for instance.

Silage as Compensation

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German No 37, 16 Sep 83 p 5

[Address by Dr. Wolfgang Horn]

The fine showing in the plan fulfilment for animal products should not make us forget the big problems we have with our fodder supplies. In Rostock Bezirk potatoes and sugar beets practically are not a part of our fodder supplies. It makes the situation in pig production most difficult. To cope with it we seek to use as much green fodder, beet tops or straw-grain pellets as possible for sows and piglets. We are producing 133,000 tons of mixed silage from stubble seeds, wet chips and beet tops. The use of lucerne silage for breeding pigs is likely to be er-rlated. The LPG's in Blowatz, Schoenberg and

Broderstorf have practiced that successfully for some time. To use chestnuts and acorns as best as possible, some 350 tons of them, enterprises get recommendations for processing and using them. We shall pay more attention to collecting kitchen offal.

More Pellets for Pigs

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German No 37, 16 Sep 83 p 5

[Address by Josef Pohl]

Thus far we focused our pellet production mainly at feeding cattle and breeding sows. Late last year we for the first time made them also for fattening pigs because we had shortages in concentrate. They were made up of 68 percent of grain, 8 percent of dry chips, 4 percent of molasses and 20 percent of straw.

Cattle breeders use 1.4 kg of it per animal daily. In addition, fresh fodder, potatoes and beet tops, as supplies permit. We cannot produce any concentrate for pigs from the straw, to be sure, but the animals at least get satiated that way, and fattening in the stables also is helped by the quiet.

For pellet production for fattening bulls we have also at times used poultry litter and compressed pig manure. But there it is important for the raw ash content to be low.

This year we produced thus far nearly 20,000 tons in straw and concentrate pellets, more than hal. of it for the pigs. The enterprises in our kreis produced a daily increase of an average of 500 gram per animal. Slaughtering end weights lie between 110 and 120 kg.

Because of the drought we are facing still bigger problems than last year. That is why we are looking for still more fodder reserves, together with our agricultural partners, state management and the Paulinenaue Fodder Production Institute. So far we always located some in dry as well as wet years. They have been pasture pellets with magnesium and rock salt added, maize pellets with urea, molasses and lucerne or caustic soda mixed into straw pellets. In the future as well we intend to meet the animal producers' wishes as to supplies, qualities and steady deliveries.

Bran as Pig Fodder

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German No 37, 16 Sep 83 p 5

[Address by Ernst Barth]

Never yet have we been able to feed with a full swing, yet in recent years we have managed to achieve fine breeding and fattening results while constantly cutting down on fodder. Feeding 13,100 hogs, we produce 3,600 tons of meat each year. Fodder consumption comes to 270 kEPs per live deadweight ton. As we are engaged in breeding and fattening we can use along with potatoes and corn also kitchen offal and peelings, centrifugal sediment and whey, green fodder, beet top silage, turnips, wet chips, acorns, chestnuts and straw.

Important also is, of course, where one feeds what. In breeding, for instance, we use between 80 and 100 tons of straw meal annually. Fodder that thus far had to be given to barren sows becomes available for fattening. We have also had fine experiences in using a daily ration of 33 percent of wheat bran for pigs in heat. Losses dropped below 2 percent, animals became more stately and better balanced. The fodder energy saved also benefited the fattening pigs. We have long experienced with the use of acorns and chestnuts. It has turned out to be best to dry and grind them up and use them with the straw pellets.

For 15 years we have been using increasingly kitchen offal and secondary foods. That has come to 3,600 tons annually. To put all that out we have developed modern techniques. Now we plan another step and use feathers and all previous waste products of poultry production, bones, bristles, leather waste products and other items through thermohydrolysis, to enhance the fodder value. We are assisted in this by the VEB Special Apparatus Construction, Sangerhausen.

Acorns and Chestnuts Collected

Magdeburg VOLKSSTIMME in German No 225, 23 Sep 83 p 3

[Interview with Martin Lange]

[Question] Not only pretty animal figurines and chains can be made out of acorns and chestnuts, they have also always been used for food. As in the fall last year, such wild fruit is to be used again for fodder this year in Magdeburg Bezirk. What are the volumes expected?

[Answer] We are planning for 1,200 tons in acorns and chestnuts. In 1982, many industrious pupils, pioneers, FDJ members and others collected a total of 970 tons. Those are remarkable totals when one considers that in energy food value acorns and chestnuts yield up to 80 and 90 percent of that of barley, when dry.

[Question] Which species eat such wild fruit?

[Answer] Mainly fattening pigs as of 40 kg in live weight and fattening cattle as of 200 kg. So the pigs can get up to 1.2 kg of acorns or 1.5 kg of chestnuts, the fattening cattle, up to 5 kg of acorns or 7 kg of chestnuts per day. The fruit must not be spoilt, of course. As acorns as well as chestnuts contain bitter and constipate, they should first be squeezed out and soaked for about 2 days. It makes sense to combine such feed with beet tops and similar stuff that will cause light diarrhea.

[Question] How does one best preserve such food once it is collected?

[Answer] Faultless fruit is stored dry in a thin layer. When there is more of it, it should be ventilated. Mixed silage is of advantage.

[Question] Where are acorns and chestnuts bought?

[Answer] Mainly, of course, from the livestock production LPG's and VEG's. Since the kreis councils are setting up purchasing stands, as their local opportunities allow, collectors find out by inquiring at their council.

[Question] Is collecting as such worthwhile apart from the fodder situation?

[Answer] A deciton (100 kg) of fresh acorns brings M 40, one of chestnuts, M 25.

5885

CSO: 2300/39

EFFECT OF INDEPENDENCE ON INTERESTEDNESS QUESTIONED

Budapest FIGYELO in Hungarian 15 Sep 83 p 7

[Article by Tibor Jenei and Gyula Zilahy: "Greater Independence, Less Interestedness?"; passages enclosed in slantlines are printed in italics]

[Text] The development of the internal management and interestedness system of the enterprise is a fundamental economic policy task, because in this area we must eliminate about one and one-half decades of backwardness. The topic is constantly on the agenda in the technical literature and in the developmental operations of the macroeconomic management system. Among other things, this is referred to in the article by Janos Deak and Eva Hegedus entitled "Still Dillydallying" (FIGYELO no 34, 1983).

We reported our earlier findings concerning the internal management and interestedness systems of enterprises in our article entitled "What Obstructs Progress" (FIGYELO No 2, 1981). In the middle of this year, we again gathered information in a specific circle of enterprises (8 large industrial, building-material industrial and food industrial enterprises, and at 2 trusts along with their 18 factories or subdivisions). We tried to answer *how* the decision-making jurisdiction was divided within the enterprise headquarters, that is, among the units within the enterprise, and to what extent the principle of semi-independence is realized/ within the enterprise. Are the units possessing plans capable of /realistically measuring their contributions/ to the results of the enterprise? To what extent does enterprise interestedness conform to the /interestedness system/ of the semi-independent units? How effective are /financial incentives/ as instruments of management?

In many respects, the article of Janos Deak and Eva Hegedus concurs with our own; however, in a few respects it differs. This is primarily attributable to the facts that the circle of assessed enterprises and the period of time are not identical and further, that in our orientation we emphasized different points from the authors.

In contrast to the above-mentioned article, the semi-independent units at the enterprises observed by us had already been in operation for a longer period of time. In the majority of cases, these are factories, factory units and even within these, the number of workshops are increasing which in and of themselves also constitute semi-independent units. /As a new feature, it may be observed that in certain enterprises, organizations not directly producing or not fulfilling central tasks, i.e., product development, major contracting and servicing, are also operating on a semi-independent basis./

Progress in the accounting of the activities and results of the semi-independent units has occurred; the methods of semi-independence and the techniques used in the accounting have also developed. However, it must be mentioned that /in practice, the internal regulations are often contradictory, and in many professional questions, their lack of unification is perceptible/.

According to our observations, within the "general staff" organization which provides management, specified jurisdiction of the units are frequently limited with respect to certain functions, i.e., the maintenance of more significant amounts of capital, production scheduling, labor questions, etc.

Internal Planning

The principles utilized in the formation of accounting prices within the enterprise are mainly identical with the pricing principles generally in effect. It is also possible to find practices where a type of production price is in effect and a dictated profit rate is used. In certain enterprises, internal cooperation is considered on the basis of production costs. In the determination of internal accounting prices, the general practice is that the delivery price is determined by the unit involved in the cooperation. The mutual reconciliation of prices in routine disputed cases is decided by the central agency. Distortions in the internal price system are filtered out at the time of the sale, as opportunity permits.

/The complete implementation of the principles of semi-independence is obstructed by the rigidity and inflexibility of the calculation system utilized by the units./ Despite this, they are mistakenly planning the development of the enterprise, whereas the central regulations provide opportunities for this.

/In the area of enforcing the rights of the factories and factory units, differing practices may be observed among the enterprises./ Among the observed enterprises, only at one were the planning sections prepared. At the rest, only the semi-independent units themselves have jurisdiction over the preparation of the production plan in the factories. The sales plan is independently prepared by the factories or factory units at only 4 enterprises, a development plan and a technical development plan were prepared at each of two enterprises, respectively.

In the preparation of plans relating to labor questions (personnel number and wage management), a "skeleton management" generally constitutes the object of negotiations. The evaluation of the output of the semi-independent unit also plays a role in this, but as of recently, on the basis of interest and the realistic appraisal of possibilities, only within significantly restricted limits. The number of employees and the wage framework are specified for the large enterprises; therefore, very little "leeway" for free management is afforded the unit directors within them. The restrictions are primarily significant in the area of wages.

With regard to plan modifications, the approver generally decides, but in the event of a lag in plans, usually the decision is made centrally. The majority of the semi-independent units have the right to make suggestions in the development of the enterprise's strategic goals (investments, technical development).

/The directors questioned about economic planning were of the opinion that the degree of self-determination increased at the enterprises/ and this transformed certain phases of planning work into activities of a "compulsory" nature. Earlier, some progress was made at certain semi-independent units--in addition to an effective and well-developed internal interestedness system--with regard to the preparation of economic plans based on actual resources at their disposal. This favorable process ended. /Under the regulatory system currently in force, it is not in the interests of units possessing better than average conditions in the enterprise to increase their results/ because the compulsory enterprise accounting system automatically skims off a portion of their own results.

Market Relations

Market conditions fundamentally determine partner relationships and the opportunities and terms for the conclusion of independent contracts. /Depending on this, the exercise of rights differs/ in each enterprise. Generally, the factories conclude the domestic sales contracts on the basis of market saturation, but always with the maintenance of central intervention. /The right to conclude export contracts is exercised by the central agency./

As purchasers, the majority of semi-independent units are entitled to conclude contracts and establish cooperative agreements. In addition, different systems of obligations have developed at nearly every enterprise. The right of assuming responsibility does not extend to the procurement of imports and to certain materials allocated to central supply.

/The collected data reinforces the earlier conclusion that to date, the enterprises have been unable to resolve the conflicts between partner relationships of factories and headquarters./ The production units possessing insufficient information primarily do not tailor their conduct to market forces (this effect only appears after it has been "filtered" through the management system of the enterprise), but instead attempt to satisfy the requirements of the management and decision-making systems which have developed. Therefore, in their striving to increase their effectiveness, the units are constantly at a "disadvantage" and this also directly affects their efficiency.

Among other things, the negative effects of the conflicts within the enterprise organizations are manifested in that it is forced to do without the information surplus which the units could be allotted due to greater jurisdiction in the in the factory. The factory units are unable to suitably support the strivings of the enterprise to transform the production structure since they are not even able to do so because of their deficient market relations and their lack of information.

Questions of Incentive

The internal interestedness system has already been in operation for a longer period of time at the enterprises. Considering its nature, it is a /combined/ system: it is composed of specified indicators of the economic plan as well as of a few natural indicators.

/The efficiency of the interestedness system, in contrast to the original expectations, has further declined recently/, since the formation of interest resources has been narrowed down and possibilities of wage development are small in view of the bearable taxes. The modifications (deductions from the development fund, restrictions on the utilization of savings on wages, inability to take advantage of the obligatory reserve fund for the obligations of wage development, etc.) introduced in recent years (1982, 1983) compel extreme caution. The changes in the semi-independent units could only be effected by the utilization of transfers, interposed calculations, repeated redivisions and utilization of the base or plan corrections. This complicates the consistent actualization of the requirement system. Under the changing circumstances, it has become even more difficult to create and maintain realistic and stimulating interest among the units operating well, not so well and uneconomically based on their own results. The minimal financial needs of units operating uneconomically but conducting activities which may not as yet be terminated makes the enforcement of interest proportional to performance difficult.

Until 1982 inclusive, the interestedness of semi-independent units in wage management results at all the observed enterprises were taken into consideration to a greater or lesser degree. This year several large enterprises have /withdrawn/ in this area, since the narrow extent of possibilities in wage development is not considered genuine incentive. Presently, the possibility of wage increase proportional to output is only utilized /formally/. In addition to the "ensured portion" based on the number of employees, the semi-independent units receive a share of the profit-sharing fund on the basis of their performance or, in some cases, of natural indicators.

Even so, the incentive principles are not totally in force, because the precedence of the obligatory replenishment of the welfare fund is gaining ever greater importance in the division of the developing enterprise funds. Naturally, this is independent of the achievements of the semi-independent units.

/Personal interestedness/ was carefully and well implemented in the awarding of premiums to directors. Besides taking into consideration the director's performance of tasks on the enterprise level, they are awarded premiums primarily in proportion to the profitability of the units under their management and the performance of natural plan indicators incorporated into the interestedness system. /It seems contradictory that a more effective incentive program was implemented for the unit managers than for the workers participating in production/.

Our experience has been that a set of conditions which ensures the complex evaluation of the work of directors (competition between factory units, the order of participation in technical development, consistent production and delivery rates) was primarily developed in well-operating enterprises.

Today, in the allocation of development funds among the units within the enterprise, the principles of interest are in force only to an extremely small extent and in a few areas. In the majority of enterprises, technical

development is centralized as are production and product development, along with quality control and development investments. /The interest system could be made more prevalent if the units within the enterprise would take an interest in the allocation of financial resources by way of competition--on the basis of a decision by the enterprise headquarters/. However, of all the enterprises observed during the course of our study, there was only one which made the factory units compete for the financial resources that could be allocated for capital investments. At every enterprise, we found that the factories were not even given the portion of the development funds which could be retained from the depreciation devaluation totally for quality control investment purposes.

This enterprise conduct slows down dynamic quality control and restricts the implementation of additional investments which ensure the modernization of capital. (It could be shown that to a certain extent, this also increases the costs of upkeeping capital investments, their repair and maintenance--thus, the increase of the cost factors lowers the profit--and finally, this results in its continuing determination of the formation of the development fund of the profit branches.

The presently observable practice of depriving precisely those factories and production units of the supplementary investments necessary for the modification and product structures where conception of product structure modifications have formed in response to changes in market demands is unfavorable and produces a negative effect on the future of industrial development.

9956
CSO: 2500/20

HUNGARIAN-JAPANESE BUSINESS RELATIONS TO BE EXPANDED

Budapest FIGYELO in Hungarian 15 Sep 83 p 6

[Article by Ferenc Pichler: "Meeting of the Hungarian-Japanese Economic Club"]

[Text] At their meeting in Budapest on 8-9 September, the Hungarian-Japanese economic club concluded that Hungarian-Japanese economic relations are well below what is realistically possible. During the past year, trade between the two countries has fallen off to a small extent. In 1982, Hungarian exports totalled /23 million dollars/ (in italics) and imports totalled /110 million dollars/ (in italics). Although the gap in trade decreased somewhat, it still remained significant. At the meeting, both Hungarian and Japanese participants called attention to the fact that the equilibrium in trade must be improved by increasing Hungarian exports. However, this is by no means an easy task, despite the fact that over the course of the past years, numerous measures were taken in Japan easing the importation of foreign goods. Beginning from 1981, the import tariffs were gradually decreased, and according to plans, by the end of 1987, their average rate will only be 3 percent. This is in contrast to the United States and the Common Market where, during the same time, the tariffs will be about 4 and 5 percent, respectively. At present, tariffs are already not imposed on approximately 550 goods in Japan and the number of products subject to import restrictions were also significantly reduced. There are import restrictions on only 5 industrial products and 25 agricultural products.

According to studies, two-thirds of the population does not differentiate between domestic and imported products when shopping. However, it is also true that Japanese consumers are very demanding. For precisely this reason, it is extremely important for those wishing to export to Far Eastern countries to thoroughly study the markets and the consumer habits which are often different from the European, and that they pay careful attention to excellent quality and adhere exactly to deadlines.

In the past few years, Hungarian and Japanese enterprises were able to expand their trade primarily on third markets. It is worth noting that in the past

few years, the value of Hungarian exports directed to /third countries/ through the mediation of Japanese companies have matched or exceeded the value of Hungarian exports going directly to Japan. In the past year, Japanese commercial firms sold more than 20 million dollars worth of Hungarian goods in third countries. Presently, materials and semi-finished products constitute two-thirds of the Hungarian export and more than half of the imports. However, in third country market ventures, the possibility exists for Hungarian enterprises to deliver a greater proportion of finished products and various installations than before jointly with Japanese countries.

The other prospective area of cooperation is the creation of /joint/ Hungarian-Japanese /enterprises/. However, success is still minimal in this area. Although numerous joint enterprises with Hungarian participation are operating in the industrially developed countries, to date only one has been formed in Japan. At the meeting, the Japanese businessmen were also informed that the establishment of joint enterprises was eased by the numerous new measures introduced in Hungary during the past years. For example, it has become possible to establish joint enterprises in so-called customs-free territories. In Hungary, these ventures are considered foreign currency-aliens; they pay their bills in hard currency and freely dispose of their foreign currency without restrictions. The utilized wage and price regulations are also free from Hungarian regulations. Since no customs-free territory has been designated in Hungary for the creation of joint enterprises, the opportunity exists of designating any area to be such--providing it satisfies the regulations and could be suitably enclosed and delimited. Joint enterprises previously established in non-customs-free territories could also receive this advantage. Another further change is that outside the service or financial and banking spheres, there is also the possibility for establishing joint enterprises with foreign majorities.

At the meeting, the Japanese participants called attention to the fact that the organization of the joint enterprises must be carried out very cautiously and patiently, since many trade and technical problems still await solutions. The selection of products to be jointly manufactured is very important, and the Hungarian production attributes must be taken into account. They proposed primarily the organization of small-scale joint ventures in the beginning. It is for precisely this reason that in the near future a delegation representing small and medium-sized Japanese firms will visit Hungary in the interests of expanding business relations.

9956
2500/20

COURSES ON SMALL BUSINESS OPERATION TO BE REPEATED

Budapest OTLET in Hungarian 29 Sep 83 p 19

[Article: "Small Business Courses"]

[Text] Toward the end of the year, the Central Extension Training Institute will repeat its small business courses which it offered earlier with great success. The material taught at these sessions can be used by corporations, business work partnerships, specialized coop groups, fixed-rate subdivisions, and to some extent by small coops, contractual business operations, small industry and private trade.

Those interested may choose from the following:

I. Tax Payments and Book-keeping in Small Businesses.

The cost of this 2-day (16-hour) course is 568 forints, including notes.

The lectures presented at these sessions will deal with:

--The theoretical questions of taxation (computation of partnership taxes, payment of sales taxes by private persons, consumer sales taxes, consumer price subsidies, taxes levied on the members of partnerships, deductions affecting the wages of partnership employees, other obligations pertaining to tax deductions from members and employees, self audits, financial controls, etc)

--Book-keeping regulations (keeping of journals and general ledgers, analytical record keeping, keeping records of fixed assets, materials, semi-fixed assets, finished and semi-finished products, billing, preparing a statement of assets, regulations concerning the keeping and safeguarding of documents and records, etc)

II. Labor and Social Insurance Regulations in Small Businesses--Rules and Practice

The cost of this 1-day (8-hour) course is 240 forints.

The topics to be discussed will include:

--Labor-related questions (various forms of work activities performed in regular full-time positions, secondary employment activities, unique regulations pertaining to certain forms of small businesses, disciplinary responsibilities, financial responsibilities, the question of labor disputes, regulations pertaining to travel and reimbursement, etc)

--Social-insurance related questions (information concerning the social insurance regulations as they pertain to managers of businesses and subdivisions operated under contractual arrangements, to the manager's immediate relatives, to employees of such operations, to workers employed by fixed-rate enterprise and coop subdivisions, to members of business work partnerships, specialized industrial and service coop groups and common law partnerships, as well as to those involved in auxiliary activities, etc)

III. Pricing in Small Businesses

The cost of this 3-day (24-hour) course is 520 forints, not including notes.

--General pricing (cost-calculation requirements and the exemptions thereof, remuneration for fixed-rate services, simplified pricing, suggested payments, suggested overhead hourly payments, suggested norms, etc)

--Professional pricing (a practical demonstration of preparing calculations, the pricing of commodity dispatches and other related activities--such as loading--operating a business in a fixed-rate cleared system, intellectual services in general on the basis of practical experiences, some questions concerning illicit profits, etc)

IV. The Organization and Management of Small Coops

The cost of this one and a half-day (12-hour) course is 320 forints.

--General information (forming a coop, possible areas of operation, the system of self-management, the principles of drawing up self-management regulations)

--Management-related questions (systems of financial management, billing systems, income regulation, special labor-statue related questions as they pertain to coops, etc)

V. Information on Industrial Legal Remedies Available to Small Businesses

The cost of this 1-day (8-hour) course is 240 forints per person, plus notes.

Subjects to be covered:

--General legal-aid related questions

- Innovations
- Inventions
- Industrial standards
- Trade marks
- Foreign legal remedies
- Export and foreign-exchange clearing on the retail level
- Administration and registration procedures
- Financial liquidations

Applications may be submitted continuously to the Economic Extension Training Institute to the Karl Marx University of Economics: 1085 N Budapest, Makarenko St 20.

9379
CSO: 2500/31

STATISTICS ON LEASED SHOPS

Budapest OTLET in Hungarian 29 Sep 83 p 18

[Text] At the end of the first half of 1983, there were 8,057 contractual businesses operating in Hungary. Of these, 2,519 have been involved in the marketing of foodstuffs and consumer goods, while the remaining 5,538 businesses have been operating in the field of catering.

During the first 6 months of the year this manner of operation has done 10.6 million forints worth of business, earning an average of 11 percent in profits.

Despite all this, over half of the businesses that were made available for contractual operation last year have failed to attract bids from applicants.

9379

CSO: 2500/31

DECREE TO PERMIT LEASING OF NON-ADMINISTRATION RUN SHOPS

Budapest OTLET in Hungarian 29 Sep 83 p 18

[Interview with Dr Erno Herner, deputy head of main department, Ministry of Domestic Trade: "The Changing of Business Operations by Contract"]

[Text] The Council of Ministers has changed a portion of the orders regulating the contractual and leasing operation of retail and catering businesses. Below we will outline the most important changes, supplemented by some related comments by Dr Erno Herner, deputy head of main department, Ministry of Domestic Trade.

The new order that is to be issued and adopted in the near future will expand the scope of businesses eligible for contractual operation. Earlier such operations were only possible in businesses run by economic organizations.

According to the revised order, the possibility of operating businesses through contract will be expanded to also include purchasing sites, associations, local tourist bureaus and other "non-economic organizations."

According to Dr Erno Herner, the revisions will enable sports clubs to operate their snack bars in a new way; APESZ-run [General Consumer and Marketing Cooperatives] fruit, vegetable, and live animal sites will also be allowed to operate under contractual agreements; but the same also applies to camp sites and motels belonging to local agencies and, for that matter, to the flower shops of the State Burial Enterprise. We expect an increase in the enterprising spirit and an intensification of competition among businesses having the same product profile.

[Question] The new order states that--in the case of a joint agreement--an operative contract may be extended without having to call a competitive bidding, but only for a period not exceeding 5 years starting from the time the contract is signed.

[Answer] Earlier our enterprises--in part adhering to ministry recommendations, and in part due to exaggerated precautions--in general only signed two to three-year contracts with the applicants. Our experiences, however, show that in general a business needs about 5 years to be introduced, to make itself known and to become permanently accepted.

Hence those contractors whose two to three-year contracts are about to expire will be able to negotiate an arrangement with the parent company for the remaining period. If they cannot agree, then, of course, the enterprise has the option of inviting new bids for the business.

[Question] In the future the opportunity to manage a contractual business will not be restricted to one person per family.

[Answer] Our previous position has frequently resulted in divorces. There have been instances, for example, where the husband was operating a contractual restaurant, while the wife was the manager of a clothing store. The woman had to decide at the time the bidding for the contractual operation of the business was announced whether she wanted to quit her work, or to get a divorce.

[Question] There will also be an opportunity for a single person to operate several businesses under contractual agreements.

[Answer] It is mainly in the smaller communities--having only smaller businesses--where we expect people to take advantage of the possibilities brought about by these changes.

There may be instances where, let us say, managing a food store alone may not seem appealing, but if in addition one is also allowed to operate a small restaurant, for example, those interested may find the arrangement to be more inviting.

[Question] The new order will make it possible for operators of contractual businesses, who through no fault of their own--i.e., as a result of illness, military service, etc.--are unable to keep their shops open on a regular basis to have their contracts suspended for up to 6 months.

[Answer] This, however, does not mean that the business will close; in such cases the lessor will operate the shop for a few months.

[Question] There has also been some tightening of the rules: terminations will take effect unless the other party responds within 8 days. In the case of disputes regarding the termination action, temporary judicial measures may be used to order the release of the business to the given producer agency. Upon repudiation of his contract, the lessee of the business may be compelled by judicial decision to turn over the unit, and this decision may also be implemented by force.

[Answer] Understandably, not every contractor has been able to make a go of his business, hence almost 10 percent of the contracts have had to be annulled--mainly because the business operators have gone bankrupt. Often it has taken long months to resolve questions of dispute, hence--at the expense of the consumer--some businesses have ended up being closed for months.

I should also mention here that there have been many who have considered their debts to be their best source of credit (!). The 5-percent long-term interest they have been paying on their debts has been more favorable than any bank loan. Today this interest may reach as much as 15 percent.

As a result of these stringent measures, people with outstanding debts incurred while operating a contractual business before will no longer be able to participate in competitive biddings.

[Question] The documentation of procurements will be tightened; bills, self-documentations will have to be marked with serial numbers and inspection stamps. Purchasing journals and pertinent receipt will have to be retained for 5 years.

[Answer] It used to be, for example, that in the case of market purchases and procurements from primary producers it was enough to have self-documentation, such as the business operator writing down on a little piece of paper what he has bought, from whom and when. When the given product was sold out the self-documentation could be destroyed without a trace which, of course, reduced the amount of taxes due.

[Question] Restaurant operators will also be able to buy the foodstuffs and agricultural products they need to prepare from retail sources.

[Answer] This was also a possible option before, although until now there have been no similar statutory provisions regulating it. I would like to call your attention to the fact that the order does not apply to meat cuts and, needless to say, to alcoholic beverages.

[Question] From now on the lessee will be able to buy its fixed assets from the leasing firm, which may agree in the contract to repurchase them upon termination of the lease at current market prices.

[Answer] If the lessee would like to buy the fixed assets but is unable to pay for them in one sum, the enterprise will be allowed to make arrangements to have them paid for in monthly installments.

[Question] From now on competitive biddings aimed at determining rental charges will be conducted by a representative of the leasing enterprise. Only he will be authorized to establish the amount of a given increase.

[Answer] There have been many instances where they have even had "planted" applicants taking part in the competitive bidding. For example, applicant No. 1 offered 2 million, applicant No. 2--who had an arrangement with No. 3--offered 2.1 million, after which No. 3 immediately raised his lease offer to 6 million. By doing so he won, but in a few days he withdrew allowing the second highest bidder to take his place.

In competitive biddings previous lessees of a given shop will enjoy leasing rights, thus it will be enough if they can simply hold the price offered by the previous bidder.

AGRICULTURE HELD AT MERCY OF INDUSTRY

Budapest FIGYELO in Hungarian 15 Sep 83 p 11

[Article by Dr Aladar Sipos; passages enclosed in slantlines are printed in italics]

[Text] Non-agricultural productive consumption is increasing by leaps and bounds in industrialized agriculture. This is also true of domestic agriculture. Under these circumstances, the success of agricultural production and moreover, its continuity, essentially depends on the supplying sphere and its operation.

Therefore, the fundamental question is /through what system of relations are the needs of agriculture, as consumer, made known to the manufacturer and the various industrial enterprises/, and whether this system of relations modifies, postpones or synchronously transmits the needs. At the same time, the level of domestic agricultural production is very differentiated depending on the branches and state farms; professionally organized, partially professional and also traditional production may be found operating side by side. Thus, agriculture does not require one level of supplying but different instruments and materials which are suitably tailored in quantity and selection to its different needs.

Competitive Situation

Following the completion of the socialist transformation of agriculture, the demand for machinery skyrocketed. This has continuously prevailed during the period of modernization and industrialization. The rapidly growing demand for machinery, the variety of machines and the requirement for economic manufacture has exceeded the possibilities ensured by the domestic framework, and the proportion of imports has gradually grown in the supply of agricultural machinery. However, despite this, the supply of machinery has fallen short of /The quantitative and qualitative shortages have led to the unilateral dependence of the consumers in the face of the factories and sellers./

Under these circumstances, the machinery repair stations, and later a growing number of agricultural enterprises, began to construct and manufacture initially only spare parts, then simple, and in time, more complex agricultural machines. Although this activity is not without compulsory elements, as a whole /it created a new source of machinery supply specifically for agriculture./

Regarding the supply side, significant changes occurred at the beginning of the 1970s when both the growing quantity and the better quality of imported machinery stood in competition with domestically manufactured machinery. The hard currency machinery import was primarily destined to satisfy the needs of the production system, but it had a far-reaching effect on both agriculture and the manufacture of agricultural machinery.

However, the potentially competitive situation--which was also promoted by domestic manufacturing on the basis of the cooperation with developed agricultural machinery manufacturers--was quickly terminated by the organization and division of the quantity and variety of goods among domestic manufacturers, i.e., the compulsory recapture of hard currency imports. This was also promoted by the organization of agricultural machine-manufacturing trusts.

The problems of CEMA cooperative likewise make the creation of appropriate market supply of the users needs more difficult. The demand level of the two markets began to move apart with the rising of the production and technical standard of domestic agriculture, and this limited the possibilities for flexible accommodation to domestic needs. In the past few years, the inter-government agreements and quotas were often not aligned to domestic user needs but rather to foreign export possibilities.

Limited Independence

Afterwards, /significant organizational changes took place/ during the past two years. AGROTRUST and MEGEV were dissolved. The county AGROKOR enterprises became independent and AGROTEK, etc. were established. In the sphere of domestic marketing, the new sales system was /theoretically/ composed of several channels, because the AGROKOR and other marketers (primarily the systematic farmers) could procure domestic machinery and implements directly from the manufacturer and imported items from the AGROTEK enterprises.

This marketing system could bring about favorable changes in the relations between domestic manufacturers and consumers. The fundamental issue is whether the factories could and want to directly accommodate to the perceptible needs of agricultural users or whether they want to move ahead of them regarding certain products and create a true buyer's market.

Competition may develop between the independent AGROKOR enterprises, but only if they do not offer identical products for identical prices under identically (often disadvantageous) conditions. However, in the area of imports, this organizational construction by itself is not capable of reducing and improving the existing quantitative, qualitative and financial costs and the costs representing production time. Only the further development of the entire economic mechanism could provide a framework for this.

Lately, there have been many problems with the largely /trust-organized/ procurement. Partly because of their monopolistic situation and partly because of their regulatory system which is different from agriculture's, the large national purchasing organizations often do not accommodate themselves to the particularities of agrarian production.

In addition, the trust enterprises, which come into direct contact with agricultural farms, have rather limited independence. In the past years, this has often been manifested during the conclusion of contracts. The role of trust regulations was very important and the opportunity for county and territorial enterprises to diverge from the draft of the contract was very limited. The stabilized contracts led to the exploitation of the economically weaker, and legally less informed party. /In recent years, the economic power of the monopoly organizations issuing preprinted contracts, compared to their partners, was rather great; this significant difference in economic power conceals within itself the danger of asserting superiority./

Social Supervision

Based on the experiences of the past few years, the unilateral assertion of the interests of purchaser enterprises is indicated, among other things, by determining where the contract is to be fulfilled disadvantageously for the producer, and at the same time foisting all the risk on the producer; by determining the countervalue of producers' services associated with the contracts at a lower rate in the expenditures (for example, in the case of freight charges); by the one-sidedness of the standard specifications, the extensive and overinsured nature of the description of enterprise demands, the minimal extent to which the responsibility of the customer is indicated and the large-scale designation of instances and extent of damages burdening the customer.

The development of the organizational system of the food industry provides more favorable conditions for the reconciliation of divergent interests. However, there are also indications that the dissolved enterprise trusts are attempting to preserve the position of the trusts for themselves in the face of the agricultural enterprises (i.e., the old general contract conditions, the utilization of preprinted contracts, etc.).

Today, the preprinted contracts ensuring a unilateral advantage is already legally contestable; however, /the development of new channels of social control and the reconciliation of interests/ is more significant than this. Today, the watchdog organs of the production cooperatives already play an important role in this area, but other specific institutions are also conceivable (e.g., the organization of some sort of coordinating office; the creation of a joint agency with decision-making authority to decide on disputed questions, etc.)

Through contractual relationships, /the purchasing enterprises often extend services promoting production and sales/--in the interest of promoting more favorable sales--(e.g., fodder, seed provisioning, professional advice, joint utilization of transportation). The practice of preprocessing and machinery lending or the completion of certain types of paid work at the producer level are becoming widespread. And at the same time, these represent elements of integration, especially if they are further supplemented with interestedness and financial elements (e.g., development fund transfers, circulating fund loans, production division in proportion to surplus quality, etc.).

I believe that the creation of harmony among individual product spheres could be improved not only by flashy organizational restructuring but /also by contractual relations based on flexible and correct business interests./ Obviously, to a large extent, this depends on the development of general economic conditions and also on the further development of the economic mechanism.

Without Administrative "Urging"

In the long run, many possibilities could also be contained in the diffusion of multiyear contracts which, in reality, have not yet become characteristics of the mass marketing of agricultural products. The contents of multiyear contracts are meager and generally only contain a declaration of intent to conclude contracts, but not concrete contractual conditions. It is certain that with regard to the particularities of agricultural production, security of sales have a great significance which could theoretically be increased by multiyear contracts.

However, it is also true that without the assumption of joint risk and the appropriate funds, the insistence on multiyear contracts lacks an economic basis. A further fundamental condition is the relative stability of the regulatory system since, as a result of frequent changes, the concluded contract could later prove disadvantageous to one of the parties. We must also refer to the fact that in addition to the security of sales, the endeavors for the utilization of market changes which could be limited by multiyear commitments could also be important for the producers.

Therefore, it would be a mistake to "urge" multiyear contracts administratively. Obviously, it would be logical for the interrelated enterprises to also decide on the duration of the contract on the basis of, among other things, their own interests and ability to assume risks. The proliferation of multiyear contracts is also a function, to no small extent, of processing and storage reserve capacities. Probably in the long run, it is practical to conclude multiyear contracts for primarily those agricultural products from which natural factors could be either totally or for the most part disengaged from the production process.

9956

CSO: 2500/120

SLOWDOWN IN INDUSTRIAL ORDERS NOTED

Budapest FIGYELO in Hungarian 15 Sep 83 p 5

[Article by Dr Imre Kristof: "Industrial Orders"; passages enclosed in slantlines are printed in italics]

[Text] The 1983 national economic plan predicted a modest degree of increase (approximately 1.5-2 percent) in industrial production. On the basis of orders placed at the beginning of the year, it was possible to expect its realization. However, according to newer statistical studies of orders, a lessening demand for industrial goods, especially for longer term contracts, may be observed.

Volume Development of Industrial Orders in 1983

Date of Observation	Orders Placed During the Quarter	Orders Effective From the End of the Quarter to the End of the Year
	Shown as a Percentage of Those Placed in the Identical Period in 1982	
20 January	104-105	104
2 April	102	100
4 July	102-103	97-98

To date, actual production and sales this year did not even reach the increase indicated by the orders. Based on the results to date and the contracts concluded in the second half of the year, it seems that this year's increase in industrial production will not reach the development forecast by the national economic plan.

The orders received by the beginning of July (for the second half of the year), or rather, the sales possibilities of the majority of the observed sectors based on this, are more unfavorable than in January and April.

The 6 percent decrease in the number of orders of the /metallurgical/ enterprises in the second half of 1983 is primarily apparent in the iron smelting plants where the number of hard currency contracts and domestic

orders are lagging behind those of last year.

Taking into consideration the orders received by the machine industry at the beginning of July, more significant expansion of production could be expected only in the instrument and electric machines and appliances industries; the number of contracts concluded in the other sectors is practically identical with last year's. The demand for mechanical engineering products in ruble currency exports on the part of investment and domestic trade enterprises is greater than last year. The volume of hard currency contracts in the second half of the year is essentially identical with last year's; and in other areas, greater or lesser degrees of decrease are observable.

Based on orders of the /chemical industry/ enterprises as of the beginning of July, no recovery could be expected in this sector either. The orders placed by the more important user areas are by and large a few percent lower than last year; a minimal increase appeared only in the orders of the industrial and construction enterprises. Among the specialized branches, the number of contracts of the plastics and chemical fiber manufacturing as well as the oil refining industries exceeds that of the second half of 1982; however, the number of contracts of the pharmaceutical industry is below that.

According to the July observations, the number of orders in /light industry/ --unlike in the other branches--are more favorable than before: the volume of the total number of orders in the second half of the year is 7 percent higher than last year. The volume of orders placed for the second half of the year in the wood processing, textile, leather, fur and shoe industries has expanded; however, the volume of the other branches has declined.

The decline in the rising pace of industrial orders during the year primarily appears among /domestic users/: according to the January placements, the total domestic orders already indicated only a slight increase; however, by the beginning of July, this had changed to a decline in volume. The structure of the /domestic/ orders of the observed industrial enterprises is by and large in accordance with the goals put forth in the national economic plan. In every assessment, the number of /foreign trade-oriented contracts/ exceeded that of the identical period in the previous year; however, the pace of increase shows a declining trend. This is also reinforced by the fact that the moderation in this regard is also observable in the orders placed after the period of the quarter in question.

The development of possibilities for exports /not accounted for by the ruble/ is rather fluctuating--on the basis of the contracts of the observed enterprises. After a relatively favorable start in the beginning of the year, several months of stagnation or decline characterized the conclusion of contracts; then from May onward, a measure of revival set in. In the more important exporting sectors, the number of orders during the second half of the year in the electrical engineering and instruments industries, the appliance industry, the textile industry, the leather, fur and shoe industries as well as the dry goods industry increased to a significant extent. In contrast, the volume of non-ruble contracts in the second half of the year in the machine and machine-installation industries, in the transportation instrument

industry, the communication and vacuum technology industries and the chemical industry are less than those of last year.

The rising pace of the orders rendered /in ruble currency/ which were known at the beginning of July also declined more than previously, but even so, the enterprises concluded contracts for the exportation of approximately 9 percent more goods to socialist countries than last year. That the producers accepted relatively more orders for the third quarter while the concluded contracts for the fourth quarter represented only a minimal increase indicates the endeavor to make the deliveries more consistent between quarters. In the majority of the subdivisions of the machine industry and further, in the textile industry, the number of orders in the second half of the year is considerably greater than last year. However, the number of ruble currency orders in our metallurgical, chemical and dry goods industrial enterprises are lagging a bit behind those of the second half of 1982.

9996

CSO: 2500/20

OPINION POLL REVEALS QUALMS OVER PROPOSED CHANGES IN WAGE SCALE RULES

Management, Readers Express Views

Warsaw RZECZPOSPOLITA in Polish 6 Sep 83 p 4

[Article by Czeslaw Zawidzki, chairman of Gorzow Wielkopolski Board of Polish Economic Society: "Conclusions Arising From Practice"; article by Antoni Karbowniczek, director general of Warsaw Wedla Factory: "We Must Start at the Base"; article by E. Janusz Andrzejewski: "What Kind of New Wage System?"]

[Text] Conclusions Arising From Practice

As a result of the discussions organized by the Administration of the Polish Economics Society in Gorzow Wielkopolski (with the participation of enterprises) on the subject of the theses of the resolution of the Council of Ministers on the matter of the bases for compensation, the following conclusions were formulated:

The proposed upper scale of basic wages in the amount of 60 zlotys will not bring about the attainment of the goal provided in the draft. It is no secret that the high wages in industry are mainly determined by the very high compensation attained for an hour of work in a piecework system. On the basis of observations on this question carried out in selected enterprises, it has been confirmed that the average hourly level achieved in piecework yields over 60 zlotys with the average classification of work similar to Category VI wages. This shows that relative to this amount, the hourly wage in its upper ceiling ought to amount to at least 100 zlotys, taking into account here the possibility of increasing it by way of adding the current rebates paid separately to the basis wages.

The upper basic wage of white collar workers should increase in line with this level. This level of the upper scale would make possible the implementation of the verification of work norms and make them conform realistically to a level matching the technically based work norms. Having in mind the application of a hard money policy and a tight credit system (financing system), the possibility of a further increase in wages is becoming limited.

From this respect, also, it is proposed to leave off with the setting of basic wage scales by the central government, which will simultaneously create conditions making possible the settlement of the problem connected with labor norm setting, in stages, proportional to the improvement of financial conditions in an enterprise.

The proposal for including recompensation payments and the results of derivative elements of wages from basic compensation into basic wages, without the right to relief on this account in encumbrances for the PFAZ [State Vocational Activizational Fund] will make it impossible, from the standpoint of financial realities, to put into practice the proposed changes. The realization of this kind of wage operation would cause an increase in compensations within the bounds of up to 20 percent. On this account, not one of the enterprises consulted would be in a condition to bear such high encumbrances to the benefit of PFAZ during the course of one year. In connection with the above, it is proposed to apply reduced rates for the PFAZ (exclusively on the account of including recompensation payments in the basic wages).

The reduced calculations of the increase of costs on the account of taxes from the compensation fund and the contributions to the ZUS [Social Security Agency] with the inclusion of recompensation payments in basic wages and with a rise in the derivative results caused by an increase in basic wages (awards, training supplements, etc.) indicate that the enterprises will not be in a position to manage such high quotas by way of cost cutting for the coverage of these results during the course of a single year.

It is proposed, therefore, that the calculation of these costs take place during a longer period of time, i.e., in 2-3 years (just as, for example, the distribution of costs of amortization by way of reappraisal of fixed assets). In reference to the derivative results calculated from the increased basic pay, we assert that the relative reduction of their percentage share is absolutely impossible to accept, since the personnel of enterprises will not express agreement with such an operation--even if it does not cause a reduction in the wage level. In addition to this, we note that under conditions of personnel shortage on the labor market, which causes a relaxation of work discipline in its broad meaning (technological, technical, organizations, subordination, official, etc.), the need arises to retain a high level of awards, conditioned by the previously noted criteria. In this regard, also from the standpoint of incentive principles, an enterprise is not interested in lowering the share of awards in relation to the basic wages.

The discussion expressed its critical remarks with respect to the possibility of using experimental solutions within the framework of a system of compensation in individual enterprises. There is mainly in mind here the differentiation of fiscal capabilities on which more favorable wage conditions in the sense of their increase in some plants depends, because if the workers are not very much interested, as is the case thus far, in the financial conditions of enterprises, which makes possible the execution of advantageous experimental solutions in other enterprises social conflicts over the issue of wages can occur.

It should be noted that in many enterprises, the financial situation is governed by external factors, and for that reason, the fact that in these enterprises it is not possible to carry out experimental systemic solutions (increase in wages) that are advantageous from the standpoint of wage levels, cannot be justified in the minds of the workers.

We Must Start at the Base

"The very fact of reconsideration of the subject can be given a favorable evaluation. In a substantive and specifically defined way this time," says Antoni Karbowiczek, the director general of the Warsaw Wedla. "In my opinion, the publication of the theses completes the already much too prolonged first stage of the discussion on the modification of the wage system. It will place all the considerations on solid ground. For the managements of many factories, the lack of regulations from above, of new legal solutions, and of uniform prescriptions was already becoming quite unnerving."

"Private" systems and the introduction of wage improvements on one's own hook were very inadequate from the nature of things. In addition--even if someone managed to set up the wage matter properly in his own bailiwick, he was playing a losing game. He lost workers, who went to places where they could acquire the most money with the least labor input. Competition in the purchasing of tradesmen and personnel on the whole leads to a situation in which, in practice, the current compensation system is the most ineffective in the entire economy from an economic standpoint. Its flaws, to a great degree, are being transplanted by the failures of the first years of reform.

Was it possible to expect a general settlement of the wage arena after the government proposals? Unfortunately, I note that the proposed solutions are not acceptable, either in the variant that can be defined as obligatory, or in the experimental variant.

I am already by-passing the question of details here, such as the upper level of the hourly rate, or the maximum monthly compensation. Basically, these are details that are easy to verify and match up. However, the fact that there was a lack of solutions in the basic matters is the most unsettling thing.

Let us take, for instance, training supplements, which today are a substantial part of wages. Theoretically, at the time of their inception, they were supposed to have a motivational value--to tie the workers to the work establishment. Unfortunately, in practice, all of these advantages of the training supplement were lost long ago. The "continued" supplement counted as the total of years worked on the whole is a contradiction to the concept of this supplement. It does not stabilize the personnel, it does not impede turnover, it does not reward long-time workers who have been tied to one enterprise for years. It would be something different if this supplement were calculated only at the site of the last employer. At that time, they would recover their motivational function. But this matter necessitates decisions from above and regulations that bind everybody uniformly.

The same is true with the supplements for the second and third shifts, with supplements for work under health endangering conditions. These are important elements of compensation of every worker today. And even if the current personnel in our factory adopts a variant solution and decides to include the supplement in a specific changed amount in the basic wage--they will not accomplish this matter. Because new people will not come to the plant, they will choose the factories in which the settlements will be more advantageous for them.

Therefore, it is necessary to begin from the base, from its standardization. It is then, on a base that is standard for all, that it will be possible to build the experimental systems themselves. Otherwise, even the best "plant" wage tests will not cure the situation, will not assure the strengthening of the motivational function of wages.

The same kind of situation exists with awards. In some plants, the awards reach 20 percent of the compensation, in others, they amount to even one-half. At the same time, the motivational nature of an award depends actually on its share in the compensation. All maneuvering is possible only when the awards do not exceed 20 percent of the wage. At that time, it is possible to take it away or lower it. However, if it amounts to nearly 50 percent of the monthly "revenue" of a worker, it is not possible to take it away. No worker will accept this.

The method of settling the question of recompensation payments is likewise a controversial one for me. It is slightly incomplete, full of vague points. For if, for example, there is so much talk about the necessity for stopping prices, then how is that to be correlated with the proposed solution? The inclusion of recompensation payments into the wage fund at the 22 July Plant will increase that fund by 50-60 million zlotys. By virtue of this, the tax from compensations and payments to the Social Security Agency will grow. In toto, we calculate that the costs by virtue of this will increase by 30 million zlotys. In what way could the plant not lose out on this? Only by raising prices. The possibility also exists that--even though the encumbrances for the PFAZ will be lowered simultaneously--the reduction will be partially made up for by growth. But it is necessary then and there to calculate exactly to what degree.

But for the time being we are waiting, above all, for a uniform and well-conceived "base." At that time, we shall launch into the experimenting. We have solid ideas in this area already. For example, by analyzing all of the wage systems that have been binding in our enterprise for 10 years, we have generally come to the conclusion that they were of little effect, because we strove to do too much immediately. For there were awards for quality, for cost cutting, for industrial safety and hygiene, etc. In toto, there were so many of them that it was difficult on the whole to speak about actual bases. Currently, we wish to restrict the number of "award" items considerably, to two, or best of all, to one item, and to count out all apportionments from profit. Of course, this necessitates the working up of an entire system that takes account of different situations, independent of the worker. If this is successful, we will take care of costs, quality and even savings of materials with this profit.

What Kind of New Wage System?

I propose the execution of changes in the wage system that are much more in line with the spirit of economic reform than the announced plan, namely: the central authorities should set only the minimum scales for all categories of worker labor, maintaining the traditional branch preferences. The differences in the scale level contained in the branch tables ought not be exceeded by more than 15-20 percent.

The scales ought to be raised as frequently as possible (every half year?) proportionally to the increase in the cost of living and the economic situation of the country.

Instead of an upper ceiling of basic wage scales, taxation of the increase of their average level ought to be introduced.

I am against the setting of upper hourly ceilings for worker labor, since, from the beginning of the existence of People's Poland, all new wage tables were already outdated by the date of their introduction, or else became outdated in a short time. Such was the case for the scales from Resolution No 135/82 of the Council of Ministers, and the same is true right now with the planned maximum scale in the amount of 60 zlotys per hour. The method of cautious setting of the wage scale level by the central authorities leads to a situation where these scales lose their basic function on the spot, namely, the formation of the level of compensation. The excessively low scales "are handled" by rankings that are not in conformity with qualifications, or by totally fictitious rankings, which deprive skill level wage schedules of the function of a gauge of the value (quality) of work.

For the restoration of correct wages that are proportional to the quantity and value (quality) of the work turned out, it is necessary to go back to the technically based labor norms, to go back to the wage scale setting work that had been initiated at one time.

An increase in functional supplements ought to be held off or limited to a minimum until a rate schedule of management functions is worked up. Currently, there is a lack of any kinds of criteria for granting these supplements, with great divergence of a level for a given job. For example, for a chief of production in the wood industry, there are nine of these levels.

The differentiation of compensation connected with the fiscal results of an enterprise ought to be limited to the quota from the share of the personnel fund, and special bonuses for those who create economic success.

New branch collective labor agreements with unions above the plant level ought to be brought to a conclusion. The conclusion of such agreements with plant union organizations will only deepen the chaos in wages and give impetus to inflation.

The apportionment of supplements (including training) should be kept separate from the basic level, by reason of the irrational leveling of wages. Differences in successive categories are highly ridiculous and do not provide incentive for raising skills, or for taking on more difficult work.

Debate on Wages Continues

Warsaw RZECZPOSPOLITA in Polish 9 Sep 83 p 4

[Article by the workers council and management of the Veterinary-Zootechnology Supply Enterprise in Szczecin: "To Move Forward More Consistently"; report on statement by Stefan Rebacz, director of the Association of Private Shops of Spolem: "There Were No Details"; interview with Krzysztof Grubski, director of the Department of Wages and Social Affairs of the Ministry of Chemical and Light Industry, by Ada Kostrz: "Higher Scales Mean Higher Productivity"; article by Wladyslaw Lenczewski: "What Is Lacking in the Proposals?"]

[Text] To Move Forward More Consistently

In forming an opinion on the bases of the draft resolution of the Council of Ministers on the matter of the principles of compensating workers employed in the socialized work establishments, we stand in favor of a law empowering all enterprises to use a system of compensation according to plant rules for compensation, without treating this form as experimental and dependent upon the agreement of central bodies.

The central authorities should only set the minimum compensation mandatory in the national economy, and the differentiating factors between the minimum and the maximum compensation.

The setting of the basic wage scales by the central authorities is a limitation in the selection of the best method of linking wages to work results. Moreover, as the bases show, in the area of services not directly connected with work, the current regulations would be binding, which would limit significant change in the internal structure of wages, and their incentive-producing effect.

In coming out for complete freedom in setting wage tables and the internal structure of compensation, we took the following arguments into account:

The system of wages can carry out a sufficient incentive role if it will take account of concrete needs. The working out of a universal wage system is simply impossible.

Practice to date, although stemming from Resolution No 135 of the Council of Ministers, has demonstrated that the intended results, i.e., a considerable change in the internal structure of compensation and their motivational effect, were not attained. Rather, the changes were led mainly only to an increase in basic wage scales. On the other hand, in enterprises the application of their own experimental systems of compensation to themselves achieved considerable progress.

As comments heard thus far in discussions on the pages of the press show, the framework of the proposed solutions in the theses of the draft resolution of the Council of Ministers are too narrow for some, whereas for others they are too broad. This attests to the very differentiated needs and possibilities of different enterprises.

In the theses published in KZCZEPOSPOLITA No 184, 5 August 1983, it is clearly asserted: "The direction proposed in the framework of experimental solutions is a far-reaching and much more consistent solution." So, why not use the much more consistent way universally?

We consider that the misgivings concerning the possibility of being led into a powerful, often fortuitous differentiation of wages, to dependence upon raising the wage scales, to attaining high gains in economic parameters without the central authorities, are baseless. As a rule, economic parameters set correctly by the central authorities counter the fortuitous differentiation of wages, dependence on the raising of wage scales, and the attainment of unjustified high earnings. On the other hand, a social agreement between the employer and the employees would assure compliance with the principles of social justice with respect of wages. It is doubtful whether the personnel of any of the enterprises would express agreement on the kinds of rules of compensation that would not be fair.

A substantive element for carrying out an adequate motivational role through the wage system is the valorization of earnings, also.

There Were No Details

The Spolem Cooperative Organization, in addition to its trade activity, conducts the production of consumer goods, confectionary items, store fixtures, and spare parts in 16 shops. We asked Stefan Rebacz, Director of the Association of Private Shops of Spolem, for an appraisal of the theses of the draft resolution of the Council of Ministers on the subject of the bases for compensation of workers employed in socialized establishments--since they likewise apply to cooperative producers.

I do not hide the fact I appraise that the draft resolution that has been placed for public discussion rather critically. A plus side, in its favor, of course, is that it leaves an enterprise considerable freedom, but at the same time, the new system, in my opinion, has not been worked out in detail, many matters have not been defined completely. The lack of certain specifics in the publicized draft makes it difficult indeed to make a more penetrating analysis of the theses.

I agree that such supplements as recompensations or other supplements resulting from branch-level agreements, etc., which the worker receives only because of the fact that he is employed and is counted on the payroll and do not have any motivational meaning ought to be included in basic compensation. However, first of all, the scale of 60 zlotys per hour, which was designated in the resolution

in certain professional groups, likewise, even in some of our shops, can in this case turn out to be too low. Second, we have to be sure that greater recompensation payments will not be introduced. But then, the problem will remain, how to recompensate the personnel in the worst situations of increase in costs of living. Third, finally, the inclusion of basic recompensation payment into basic compensation will raise production costs very much, and in turn, this can be reflected in the prices.

However, I am not in favor of reducing the level of bonuses and at the same time, raising the basic compensation scale. I consider that the bonus ought to continue to be a significant part of the wage--the variable part, which is a type of tool in the hands of management for uncovering motivation for better, more productive work.

I also consider that it has to be precisely stated in the resolution to whom the given regulation applies, and to whom it does not. At the same time, in this draft, many matters are left open. I fear that this could lead to a kind of shoving match, a fight for the highest scale. In this case, it would not always be won by the side of those who have the most justified arguments. Sheer breakthrough force could be an "argument." I see, therefore, that in the resolution, it ought to be clearly spelled out who can obtain higher scales and in what kind of cases.

In concluding, I am in favor of leaving the shops the widest ranging independence and freedom in wage matters. The enterprises ought to have only limited criteria concerning the development of resources for a wage fund. Let the establishments themselves (management with the advice of workers) set the rest, meaning the system of wages, scales, tables, bonus quotas, for themselves, or for a specific branch. The results of an experiment conducted in this area in several model plants will provide the foundation for such a statement.

Higher Scales Mean Higher Productivity

[Question] How was the draft for the changes in bases of compensation received in the enterprises of your ministry?

[Answer] Those opinions that I had the chance to hear show that the enterprises have reservations with respect to the levels of the scale. They are inadequate. The inclusion of recompensation payments will eat up about 10 zlotys in the new scale, which already makes it 50 zlotys. There are also plants who have "13th day pay" or bonuses of a similar nature that are not included in the wages. If they wanted to include it now, that is also about 10 zlotys, and that is already the maximum scale. There is no possibility of controlling wages. The inclusion of recompensation will arouse serious reservations, by reason of the encumbrance that a plant has to bear on this account.

As far as an experimental system of compensation is concerned, there is the wariness of the enterprises concerning the method of calculating the shift, training and anniversary bonus supplements. These are wage elements that are

not tied to any great degree to labor productivity, and there is a trend to have them calculated out of the minimum wage. Various objections are raised here, but they result, perhaps, from being accustomed to the current system.

In the case of anniversary bonuses, the sum that is paid out currently is dependent upon a worker's salary level, and to some way or other, on his labor contribution. So one who works better feels he has been wronged because he is to get the same amount as others. Similarly, supplements for overtime work also should be dependent upon the scale of individual classification.

However, nothing much is being said about labor norms, and that is an important matter. When Resolution 135 was introduced, some plants raised their scales independently of work results. This is why we are currently calling attention to the fact that the introduction of higher scales has to be tied in with higher labor productivity.

[Question] Do the enterprises frequently report their misgivings in wage matters to the ministry, or do they try to cope with things independently?

[Answer] That is difficult to pin down. There are telephone calls with questions, and comments on published proposals. Frequently, representatives of plants would be coming to the ministry for various matters, and taking the opportunity to ask whether we have any further details on this subject, or whether they can already begin experimenting with wages. These questions are mainly from small industrial centers, because information reaches those places less readily.

[Question] Which variant of the proposals will be most frequently accepted?

[Answer] It is difficult to estimate, because certain things have just come under discussion. All are in favor of including recompensation payments in wages, of increasing the scales, and of elevating the role of basic wages. Although there are different schools of thought: the first of them says that the basic wage ought to be high and the bonus, minimum; another says that the bonus should have a significant role in salary, because then it will become a stimulus for work. Every plant has its own solutions, and certainly, if this is authorized, part of the enterprises will decide on experimenting. Anyway, experimental principles have already been introduced by Radiskor, The Defenders of Peace Plant, and the Marchlewski Plant in Lodz, and the "experimentors" are satisfied.

However, there are still certain matters to be cleared up. For example, the Collective Agreement was signed by the minister as one party, and by the unions as the second party. Now the minister is not handling finances, so who will sign? Perhaps the founding body? And what of the second party? During the time of the discussions of the union personnel in Katowice, it was suggested that the trade union federation ought to sign it.

If there were some kind of outline labor and wage agreement, then how would the plant regulations size up against it?

And still another thought: let us say that a few dozen, or perhaps a few hundred, plants from our ministry decide on the experiment. It would be the same for other ministries. How is the Ministry of Labor, Wages and Social Affairs going to affirm such a quantity of rules? We have to conclude on this note.

What Is Lacking in the Proposals?

The proposed changes in the bases of compensation in essence are a repetition of "operations" already used several times in the past for including awards, bonuses, and supplements in basic wages for the purpose of increasing the share of basic wages in the compensation of workers. One must suspect, however, that after a certain time, new supplements and bonuses will begin to appear in place of the currently restricted ones, but under different names.

The possibility of the repetition of such a situation results, one would think, from the fact that the proposals do not contain any solutions in a matter of such current importance as recompensation of workers for the increase in the cost of living without applying recompensation payments independent of wages. Indeed, the lack of a mechanism of revalorization of wages relative to the rise in the costs of living has been and will continue to be the main reason for the fact that basic wages are ceasing to fulfill a motivational function. At the same time, there are more and more items for bonuses and higher and higher supplements, which, in principle, are to provide the stimulus for better work, but are not fulfilling this function either, since they hardly recompense the rise in the costs of living.

Thus, the proposals placed under discussion cause disenchantment, since they are not a comprehensive solution to the problem of wage formation under the new conditions.

Is it really that difficult to get up enough gumption for the generalization of practical experience to date, introducing certain modifications in it that are in harmony with the principles of the economic reform, such as, for example, the unequivocal assertions that:

--the lowest basic scales ought to assure the attainment by a worker of a minimum wage set by the central authorities and are subject to change after each setting of a new minimum wage level that recompensates the rise in living costs;

--the highest basic wages in every enterprise ought to stay in the kind of ratio to the average wage in which the average wage in an enterprise stays to the minimum wage set by the central authorities, and is subject to annual updating, corresponding to the increase in minimum wage and average wage;

--by updating the remaining basic scales and wages in the framework of the above-defined gap between the minimum and maximum scales and wages, the enterprise can only plan the kind of increase in wages that does not exceed the index defined in the RPSG [Annual Socioeconomic Plan] under penalty of moving into the budget the amounts equivalent to the amount of exceeding of the wage fund.

Within the framework of only these three obligatory limitations, there exists a plethora of possibilities for the formation of sufficiently motivational basic systems of wages and also individual wages that take into account the quantity and quality of labor, skill level, and professional training status, the strenuousness and complexity of the work, and specific working conditions of every enterprise, with no need for detailed definition by the central authorities of the hourly scales, the components of wages, supplements, etc., and also the maintenance of correct ratios between basic wages and wages on the whole, and the provision of so-called disciplinary wages.

NEW APICULTURAL MEDICINE RECEIVES WORLD ACCLAIM

Bucharest ROMANIA LIBERA in Romanian 28 Sep 83 p 5

[Article by Anton Uncu]

[Text] First of all we must clarify a matter: in apicultural management and in the records of beekeeping in Romania and in the world a new basic product has emerged under the designation of Apilarnil. Hence, an eighth product, Apilarnil, is added to the seven products known so far: honey, wax, venom, pollen, propolis, maiden wax, and royal jelly. Apilarnil is a product derived from larvae of drones and from the nutritious content found in the cells of the honeycomb at the time of collection of these larvae. I made these statements in order to emphasize the fact that it is not a matter of a minor addition to beekeeping and the evolution of apiculture but an outstanding development, a significant contribution achieved in Romania by a Romanian apiculturist, well-known at home and abroad, Nicolae V. Iliesiu. As a matter of fact, it is the same apiculturist who, 24 years ago, defying the skepticism of some of his colleagues, succeeded in introducing in Romanian apiculture the technology of production of the royal jelly, shortly after its emergence, the same person who in 1949 issued the first "Beekeeping Almanach." These few achievements alone are capable of creating notoriety in a field where new basic elements appear rather seldom.

The discovery of Apilarnil, as a distinct product of the beehive assures Romania and the person who achieved it the indisputable merit of opening a new, particularly spectacular chapter in the history of this ancient pursuit.

Last May, the International Symposium on Apitherapy in Tel Aviv centered its proceedings and discussions on the issue of Apilarnil pointing out that in apitherapy, at that time, the only new basic addition involved Apilarnil and the pharmaceutical and medicinal products prepared from this larval triturate. The interest aroused has exceeded the usual levels, many researchers, scientists and apiculturists expressed their wish to obtain detailed information and offered their services for the expansion of research in this area. Moreover, many foreign companies informed about the existence of such a product have made bids for marketing it.

As good administrators we must not omit any of these elements. We are now at a very opportune stage, a stage when there is a so-called reconversion of the pharmaceutical industry from drugs obtained by chemical synthesis to those obtained directly

from natural resources. Return to natural products, ones that are closest to human physiological elements, is not a fad but an imperative. Among all these, natural apicultural products have acquired a trust status because of their outstanding nutritional and therapeutical values, their multiple beneficial effects on human health. Moreover, the world market predominantly and unrestrictedly absorbs the products in this category. For many years the toughest problem we have been confronting in the export of apicultural products has been the impossibility of meeting the excessive amount of demands. This also is the reason why recently the possibility has been studied for increasing the number of bee families even banking on the doubling of the bee number in the near future. In this large-scale project, Apilarnil provides the newly qualitative addition of a product with safe and non-competitive marketing on the foreign market. For the time being, however, we must not indulge in illusions that only one country and only one individual is treading on the necessary path of knowledge. Sooner or later what has been achieved in Romania, proceeding from the accomplishment of apiculturist Nicolae V. Iliesiu and later utilizing the values of an ample and fruitful cooperation, will also be shortly achieved by others. This also applies to Apilarnil. At this point we are notably ahead. This advance may be increased, preserved or lost. All now depends on our reactive ability, hence on the time factor. Always, between two human collectivities that simultaneously reached the same truth, the winner in terms of moral and material values was the one that knew how to more swiftly and better apply the truth known.

Hence, let us recapitulate: Romania is the only country in the world to produce Apilarnil. The achievement is protected by an invention patent at home and in other countries. The procedure for homologation abroad fully meets all the requirements. Apilarnil was registered as trademark. The production technology of Apilarnil is mastered and endorsed by many Romanian apiculturists. These are the general data with which the Romanian product Apilarnil presented itself at the Budapest International Congress on Apitherapy held over 25-31 August 1983.

We do not intend to give here a lengthy description of the Congress proceedings. It suffices to say that in the total number of reports in the eight sections, Romania had, with the exception of the host country, the largest number of surveys (43). But this is normal, if we take into account the old tradition of beekeeping in the Carpathian area, the constant effort of Romanian research in apiculture and the related fields. Unusual might only be the fact that in the independent group of apitherapy, from the total of 42 reports given 21 were Romanian reports and of these 13 dwell on Apilarnil. Let us recall that it is a matter of an international congress attended by representatives from all the countries with apicultural pursuits and that the latest developments in this area were presented within the framework of the independent group of apitherapy. But in light of the novelty involved in Apilarnil and its outstanding values in terms of human health, not even this fact seems unusual to us.

In a letter addressed to apiculturist N. V. Iliesiu, the author of this product, the chairman of the National Union of French Apiculturists, Pierre Bonimond, wrote inter alia: "I congratulate you for this fine project that does credit to the Romanian school, always and especially when apitherapy is involved." As far as we are concerned, it is our moral and patriotic duty to regard this recognition also as an intimation. It is difficult to be in the lead, but it is far more difficult to stay there.

A Few Fields of Use of Apilarnil

1. Neurotic psychiatric illnesses (neurasthenia: simple, depressive, anxious and ce-nesthopathic; sexual asthenia).
2. Biological imbalances (debility and physical asthenia developed after consumptive and postoperative illnesses, demineralization and dyselectralithenia from matabolic diseases, delayed development in children, senescence).
3. Digestive dysfunctions (general and selective inappetence, states of denutrition).
4. Infectoallergic conditions -- for the product Apilarnil, associated with Propolis (glossostomatic, bacterial and mycotic, chronic pharyngitis and laryngitis, various allergic hypersensitization reactions).
5. Hepatitis.
6. In ophthalmology.

These are only a few of the areas of utilization in which Apilarnil individually or in association has given promising results, ones that often are superior to those of al-ternative synthetic drugs. Apilarnil is a natural tonic and revitalizing product that maintains wellness and fortifies the body, protecting it against pathological agents. Possessing all these virtues which we have tried to summarize here, Apilar-nil is and remains a valuable and profoundly unique scientific creation.

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DATA ON INVESTMENT OUTLAYS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Sep 83 pp 29-30

[Text] Outlays for investments in fixed capital increased a moderate 13 percent in the first 8 months of this year. The methodology which the Social Accounting Service uses in monitoring these figures does not include payments which have been made from foreign exchange accounts in the country, nor commercial and financial credits when domestic banks are not intermediaries, nor investment outlays of internal banks.

Nevertheless, the growth of investment outlays has not been changing over the last 2 months (it was also the same in the first 6 months and even according to the figures for 7 months), that is, it was down 2 points from the end of March and 4 points down from the first quarter. For the sake of comparison, the growth of outlays in January was 10 percent, and last year it was 28 percent. All the figures are given in value terms, which means that in real terms investment outlays are decreasing.

There is faster growth of investment outlays by OUR's [organization of associated labor] in the economy and SIZ's [self-managing community of interest] in production, amounting to 31 percent (18 points above the average). Outlays from this source amounted to 205.5 billion dinars, and they have the largest share--45.4 percent (as against 32.7 percent in 1980) in total investment outlays. The share of banks in the form of credit is continuing to drop--to 30.6 percent (as against 46.6 percent in 1980), since outlays from this source have dropped 9 percent in absolute terms and amounted to 138.5 billion dinars. The share of the banks in outlays incidentally rose to 38.2 percent (if we add lendings through the banks which are recorded separately in the statistics and which in the first 8 months amounted to 34.7 billion dinars, which is an increase of 39 percent). Then come the outlays of OUR's outside the economy, which amounted to 52 billion dinars (this also included outlays of the internal banks), which is 27 percent more than in the same period of last year. They had a share of 11.5 percent (as against 9.4 percent in 1980) in total outlays. SIZ's in the public services paid out 15.8 billion dinars (20 percent less), and they had a share of 3.5 percent (as against 3.9 percent in 1980) in total outlays.

Taken by regions, investment outlays for fixed capital increased the most in Kosovo--65 percent (19.1 billion paid out), and then in Vojvodina--26 percent

(68 billion dinars) and Slovenia--24 percent (63.2 billion dinars). Growth was more moderate in Serbia proper--18 percent (110.2 billion) and Bosnia-Herzegovina--16 percent (73.5 billion). Investment outlays were down 9 percent in Montenegro (17 billion paid out), and this account did not include certain types of foreign exchange credits whose repayment is in the grace period. In Macedonia outlays were down 5 percent (the amount was 22.1 billion dinars), this being the only republic for which the computation has not included differences in the rate of exchange, and down 2 percent in Croatia (99.3 billion dinars paid out).

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REVIEW OF STATISTICS ON MANPOWER SHIFTS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 12 Sep 83 pp 27-28

[Text] According to the 1981 Census, Yugoslavia had a population of 21,549,743, while another 874,964 Yugoslavs (workers and members of their families) were abroad because of temporary employment. At first one would say, judging by the labor force and dependents, that there has been no essential change in the manpower sector over the last 10 years. That is, both in 1971 and also on the date when the census was taken 2 years ago, the share of the labor force in the country's total population was about 43.3 percent, while the number of dependents was 10.4 million in 1971 and 10.3 million in 1981.

Nevertheless, within these quantities, especially the labor force, dynamic structural changes have continued. When the results of the 1971 Census were published, the figures that the share of the farm population in the total population of Yugoslavia had dropped to only 38.2 percent and that the farm labor force was only 47.3 percent of the total labor force caused a real sensation. Those were figures that brought gratification at the time, since the migration from rural to urban areas was an indicator of industrialization and of the country's overall development. Now the share of the population has dropped to 19.8 percent, and the 2.5 million members of the farm labor force constitute only 26.7 percent of the country's total labor force (if we also include workers abroad, then it is only 25 percent). This time, however, no one is especially boasting about these results, since it has become obvious that the migration from agriculture over the past decade had different causes--primarily the desire to find employment in the secure public sector. On the other hand agriculture and rural areas have been left neglected, which resulted in a food shortage, overpopulation of the cities and other disproportions. In short, the migration and transfer of the rural and farm population were faster than the country's industrial development and other development--which ought to have been their natural economic cause and determinant.

At the time of the census taken more than 20 years ago, in 1961, Yugoslavia had a farm population of about 9.4 million; in 1971 it was 7.8 million, and in 1981 it was 4,277,420. In that period Yugoslavia's total population increased by nearly 3.9 million persons. Of our present total farm population 53.4 percent live in Serbia (35.3 percent in Serbia proper, 8.9 percent in Kosovo and 9.2 percent in Vojvodina), 16.0 percent in Bosnia-Herzegovina,

15.6 percent in Croatia, 9.2 percent in Macedonia, 4.0 percent in Slovenia and 1.8 percent in Montenegro.

This figure on the farm population includes 764,075 children under age 15 (17.9 percent). The share of children in the farm population, incidentally, differs quite a bit from region to region: 12.3 percent in Croatia, 12.6 percent in Serbia proper, 13.3 percent in Vojvodina, 16.2 percent in Slovenia, 20.4 percent in Bosnia-Herzegovina, 24.1 percent in Macedonia, 24.3 percent in Montenegro and 41.7 percent in Kosovo.

The remaining farm population of Yugoslavia is in the following age groups: 363,957 between the ages of 15 and 19, 1,075,009 between the ages of 20 and 44, 1,160,237 between the ages of 45 and 59 and 905,410 over age 60.

Little Room for the Large Supply

Since 1971 employment in the socialized sector has increased from 3.9 million to 6.1 million, that is, by 2.2 million, which in practical terms means (when one takes into account vacancies resulting from retirement and other conditions) that more than 3 million new workers were hired in the socialized sector during this period. Here again, however, a constructive development (creation of jobs for the population in secondary and tertiary activities) has turned into an undesirable situation—a surplus of workers among those who are employed (estimated at 30 percent), with all the well-known long-term consequences.

The Yugoslav labor force also includes owners of private establishments and the workers whom they employ, as well as the unemployed workers and, a separate group, workers employed abroad temporarily.

The number of private establishments in our country has hardly increased at all over the last 10 years, and much the same is true of the number of persons employed in the private sector. All in all Yugoslavia today has about 200,000 owners of establishments, and there are about 100,000 workers employed in them. Opportunities are now being sought to enlarge this group of "self-employed persons" and to furnish it manpower from the other two groups in the labor force—the unemployed and the workers abroad.

The number of unemployed persons in Yugoslavia has already passed the figure of 900,000, but at the moment it has dropped 50,000 because of seasonal work. However, judging by past trends, the number of persons seeking employment will this very winter come dangerously close to 1 million—a limit which must not be exceeded under the policy that has been adopted for creation of new jobs. The greatest trouble here, with respect to the desires and opportunities for room to be opened for creation of more jobs in small business and the private sector, is that the bulk of the unemployed have secondary, junior postsecondary and senior postsecondary education (including here skilled and highly skilled workers) who have been trained for everything except the jobs they might do in small business—especially that work which would be organized in private establishments.

The savings of Yugoslavs employed abroad temporarily more accurately, savings of those who want to return to the homeland and continue to make a living here, are seen as an important contribution to development of the activities of small business. At the moment there are 874,964 Yugoslavs abroad: 625,067 employed by foreign employers and 249,897 members of their families. Of the total number 97,618 workers are employed in Austria, 1,846 in Belgium, 3,563 in Denmark, 12,903 in France, 5,325 in Holland, 5,956 in Italy, 742 in Luxembourg, 324,324 in West Germany, 59,624 in Switzerland, 16,829 in Sweden, 1,974 in Great Britain, 2,952 in other European countries, 9,346 in Canada, 17,675 in the United States, 1,009 in the countries of Central America, 602 in the countries of South America, 3,192 in the African countries, 27,873 in the countries of Oceania (27,709 in Australia alone), 1,891 in the Asian countries and there are 9,823 Yugoslavs working abroad whose place of employment is not known.

One can hardly speak seriously about any large-scale return of these workers while they are still working. Most of the workers have been abroad more than 15-20 years. Many of the children of our workers have finished school there and by and large have also taken employment in the countries where their parents live. Over the last 10 years, that is, very few Yugoslavs have gone abroad to work, and considerably more of them have returned home. Those who have stayed abroad mostly intend to work there until they retire, and then they would return to Yugoslavia as well-off citizens.

It is true that there are also workers who have certain money resources and who would like to start a business in Yugoslavia. But that would have to be a business that would bring them at least the earnings which they have had abroad, and at present that is very difficult to achieve.

7045

CSO: 2800/45

STATUS, OUTLOOK OF DINA PETROCHEMICAL COMPLEX

Belgrade BORBA in Serbo-Croatian 20 Sep 83 p 4

[Article by Goran Moravcek: "DINA Saves Dollars; Petrochemical Plant on Krk Should Soon Be Operation"]

[Text] Omisalj, Sep--Contrary to the critics who attempt to demonstrate that DINA is an unsuccessful investment, more realistic analysts stress that the fate of the petrochemistry industry on Krk is in the hands of the consumers of its products. It appears that the petrochemical plant on Krk, despite everything, is the only means of reducing--at least to some extent--the import of petrochemicals which costs the Yugoslav economy about \$2 billion a year.

The low-viscosity polyethylene plant, the first installation of the future petrochemical complex DINA, which is located on Krk, should begin production in November. The fact that approximately 70,000 tons of this raw material will soon be produced in Omisalj is good news, but this factory, after many postponements, should have already delivered its products to domestic consumers.

(Un) fulfilled Promises

Indeed, this was stated as the problem of highest priority at a conference on this theme conducted by the local branch of the LCY INE in Zagreb in late November of last year. After this meeting, on 15 January of this year, the shock caused by the breaking of the agreement concerning mutual investment between INE and the American multinational company Dow Chemical provoked the promise, enhanced by the unique form of Yugoslav obstinacy, that the first phase of DINA would be completed by the first half of 1983 using our own capacities.

\$700,000 Still Needed

"In order to put the first DINA factory in operation, approximately \$700,000 must still be secured. We hope that these funds will soon be provided, in spite of the difficult situation in which the promoters

and the Zagreb bank find themselves. The money is needed in order to complete the energan and some other auxiliary installations, because without them the low-viscosity polyethylene plant cannot operate," says Todor Rescec, general director of DINA. He estimates that the remaining two factories from the first phase--the vinyl-chloride monomer (200,000 tons), and the ethylene dichloride (150,000 tons)--will begin production by early April of next year.

Value

"The factories of the first phase of DINA will realize an average annual production value of approximately \$200 million. This will be the direct benefit from DINA, for which approximately \$140 million has already been expended. The importance of this production will be indisputable because last year approximately 20,000 tons of low-viscosity polyethylene and approximately 87,000 tons of vinyl chloride monomers were imported," stress DINA officials, and they say that its importance for the domestic economy should not have to be demonstrated in any special way, even now, when after 7 years of construction, it has still not begun production.

Unfortunately, only one of these promises has been fulfilled. Tied to raw materials from the future petrochemical plant, associated labor indicated its readiness to construct DINA with the promoters (the Rijeka naptha refinery, the Sisak refinery, and INA-Ok1). Over 50 domestic manufacturers of low-viscosity polyethylene and vinyl-chloride monomers support a collaborative effort with DINA, and self-management agreements concerning the combining of revenues and investment of revenues have been signed by 14 organizations of associated labor at present. The second promise, however, has not been fulfilled, and once more the start of production has been postponed on Krk, although the low-viscosity polyethylene factory has been completed in full.

The remaining installations from the so-called second and third phases, and the ethylene factory (400,000 tons) between them, will not be constructed in this middle planning period. This position is understandable because with our country's current economic difficulties, when every investment is thoroughly investigated, it is impossible to guarantee investment funds. Because of this, DINA must turn down approximately \$100 million of credits already approved for the financing of the second and third phases. This is the result of slow construction and the breaking of the agreement with the American multinational company.

"Because of foreign credit obligations, DINA will have to export part of its production in order to repay debts. Since we wanted to export finished products rather than raw materials--this is much more worthwhile--we have entered into an agreement with domestic consumers. Instead of us exporting 10,000 tons of low-viscosity polyethylene and 50,000 tons of vinyl-chloride monomers, we have proposed to the factories connected with DINA that they export their finished products--bags for artificial fertilizer, films, wrapping material for the food

industry, and the like," stresses Rescer, and he adds that in this way, the more functional one is, the more foreign exchange will be earned. Moreover, the domestic factories Jugovinil, Polikem, Paznika, Ohis, and others, would have an adequate supply of domestic raw materials guaranteed for their production. In a reproduction and export chain conceived in this way, profit would be shared according to one's ability to create revenues. How much it has cost DINA to organize the reproduction chain of domestic consumers is demonstrated by the example that it has directly secured imported raw materials for Jugovinil of Split and Polikem of Zadar. By a compensation arrangement--whereby primary benzene from domestic refineries is exchanged abroad for vinyl-chloride monomer--DINA has secured raw materials for these two factories in order to increase its accumulative capacity and to associate these resources on Krk for the sake of future revenue cooperation.

Is DINA a Failure?

By putting the first DINA plant into operation, domestic production of vinyl-chloride monomer will increase from the current 128,000 tons a year to 198,000 tons a year, while by the middle of the following year production of vinyl-chloride monomer will triple to approximately 300,000 tons. One should stress, however, that in spite of all the idyllic predictions, domestic refineries may be threatened because DINA needs to secure approximately 400,000 tons of basic benzene a year for the first phase. Whether this will be done is uncertain. However, the conviction on Krk is that there will be no more major problems, as soon as--according to the plan--basic benzene is finished off in the domestic refineries for a foreign partner, and 92,000 tons of ethylene and 85,000 tons of ethylene dichloride are obtained from this partner, among other things, in return. Without these raw materials the factories in DINA for the production of low-viscosity polyethylene and vinyl-chloride monomers cannot operate. With these compensation arrangements, as anticipated, DINA would obtain the necessary raw materials from abroad without cost.

Contrary to the critics who try to prove that DINA is an unsuccessful investment which will not be able to settle its debts even with around 70 percent rights in the disposal of foreign exchange, more realistic analysts stress that the fate of the Krk petrochemical plant is in the hands of the domestic consumers of its products. Because only if the reproduction and export chain of DINA and its consumers operates irreproachably will the voices of the critics be silenced. Lack of success, however, might provoke the question as to whether the failed investments and factories are connected with the production of DINA. To construct a domestic petrochemistry industry on imported raw materials would be very expensive, and it appears that the Krk petrochemistry industry, despite all problems, is the only way of reducing the import of petrochemicals--at least to a certain extent--which costs the Yugoslav economy about two billion dollars a year.

9548

CSO: 2800/27

SLOVENIAN ARGUMENTS AGAINST STRENGTHENING NATIONAL BANK

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Sep 83 pp 10-11

[Text] Although it appeared that in the National Assembly the Committee for the Credit Monetary System would reach an agreement about the largest systemic change in the proposed Law of the Yugoslav National Bank and the Unified Monetary Activity of the National Banks of the Republics and Provinces, the Slovenian delegation, at least temporarily, vetoed it. This happened because the proposed transition to majority decisionmaking in the Board of Governors, composed of the governor of the National Bank and the eight governors of the national banks of the republics and provinces, with the passing of the most important credit monetary measures (the limitation of bank investments, the determination of the level of required reserves and emission policy) would essentially mean a retreat from the present system of unanimity and the negotiated adoption of policy. In truth, the proposed majority decisionmaking has practical motives, because the Board of Governors, due to its inability to reach a consensus, cannot, for example, pass decisions concerning rediscount rates (the role of issues) during the provision of credit to some agricultural producers (6 votes against and 2 votes for rates higher than 60 percent), or concerning the limitation of investment through the end of this year and next. In this way the board's authority has been transferred to the Federal Executive Committee, but we cannot always be assured of agreements, even here, and the governor himself must pass measures, although this right is anticipated only for exceptional situations.

The Slovenian delegation proposed that the National Assembly, in the guise of this credit monetary committee, be included in the decisionmaking process in order to be able to achieve full agreement. Lojze Skok, in support of unanimous decisionmaking, pointed out how illogical it was that the majority method was proposed only for the passing of 3, albeit the most important, monetary credit measures, and that the remaining 17 from the functioning of the National Bank were left to the old system. But, the inclusion of one more link (the National Assembly) in the chain of decisionmaking was seen by the rest of the delegates as a way which would only lead to further ineffectiveness and would continue to delay the passage of measures. Therefore, the rest of the delegates were for the proposal that the field of authority of the National Bank (that is to say its Board of Governors) be broadened to include majority decisionmaking, as well as other measures, for example the depositing of hard currency savings in the National Bank and a resolution of currency differences, which appear on this basis.

That this concerns the strengthening of the functions of the National Bank is seen in the proposal which opens the way for the Bank directly, and not only through the national banks, to control how banks handle passed monetary credit measures, including sanctions against the national banks which do not punish violators (those who aimlessly use the issuance of money, who do not transfer hard currency to the National Bank's account on time, etc.). However, in this context Lojze Skok, the delegate from Slovenia, raised the question--who will control the National Bank itself, if it does not undertake legal sanctions, for example against illiquid banks, depriving them of the right to issue money or subsequently pay credit given from money issuance regardless of the results which would arise among the accountholders in the economy? If these controls and responsibilities do not exist, then we cannot speak about a complete modern system for the National Bank's operation. But the responsibility of the National Bank cannot be sought if it has not beforehand been given the right in the system to perform its function and adopt a policy which affirms it as a uniform and modern national monetary institution (Miodrag Veljkovic, vice governor of the National Bank).

It seems that none of the delegates was opposed to the criteria which stipulate when banks are to be considered to be illiquid in dinars (when to use required reserves for 10 days with breaks or 5 days without breaks), and also when there is not enough hard currency to meet obligations, but key disagreements have led to the proposal that the same treatment (of illiquid banks) be meted out to banks which do not honor regulations and do not transfer hard currency to the National Bank's account in time. In truth, these questions of hard currency have been regulated by other regulations, and even by a hard currency law, but even the monetary sphere is affected by the every fact that the idea concerning the obligatory cessation of hard currency is in circulation, and in this case that they wish to force the hard currency "recalcitrants" to exchange their surplus in the hard currency market for dinars under the threat that otherwise their dinar liquidity will be lessened by depriving them credit rights from the primary issue.

Even the intention of the National Bank to again activate the obligatory reserve in order to regulate the potential of banks did not receive the support of the Slovenian delegation. This happened because the proposal did not set in advance the highest levels possible according to which money can be set aside from deposits. According to the banks, this can mean only that the National Bank wishes its increase (from today's 12 percent) and so pull in money from circulation. It was claimed that the level will not exceed 24 percent (the present upper limit), but even that increase, if it is performed rapidly, would also mean a great blow to the banks (when we have passed measures about the lessening of the level, each percent created great strain). The second matter is that by this operation (the growth of the level of reserves) the National Bank wishes to simultaneously strengthen some of its money-issuing functions, from which it cannot be freed, because there are no replacements for them, since at least for now, there is no place in the system for a financial (and capital) market.

DATA GIVEN ON STRIKES, 1981-1983

Zagreb DANAS in Serbo-Croatian 27 Sep 83 pp 14-16

[Article by Miro Crnjakovic]

[Text] There were 172 strikes in Yugoslavia in the first 6 months of this year

Workers of the first shift of the Djurdjenovac Timber Primary Processing Industry, OOUR have stopped working. The reason--dissatisfaction with the information about personal income realized and paid out in June. They received their pay on 9 July, stopped work and sought an explanation from the foreman and the cashier. It was not clear to them what all was deducted from their wages, why business done was valued differently, and finally, why their output was not publicly announced and placed on the announcement board as is normally done.

Dissatisfaction also moved to the second shift. A total of 199 workers struck for 4 hours. Since they were not satisfied with the foreman's explanation, they sought a conversation with the collective's managers. The managers agreed and explained that according to the norms the work finished by the workers last month was worth less. Besides deductions in pay, the workers lost the contribution to the so-called solidarity, and then for coal and some other necessities. After detailed explanations, the workers returned to work.

Of the 35 work stoppages in Croatia in the first half of 1983 we have chosen this example, which for many is a sample of how and why workers rebel. But above all, we must decide what to call these rebellions. They are most often called work stoppages in forum discussions. However, theoreticians and many sociopolitical workers generally call them strikes.

Why is the described strike characteristic? The cause is personal income. When we dig beneath the usual prosaically-cited statistical motives, income in the majority of cases is why workers strike. Moreover, everything took place in a factory where the workers were working behind machines. As is usual, they were dissatisfied primary producers. Finally, there was no machine wrecking, no fights, no hostile slogans. After listening to explanations, the workers returned to work after only 4 hours! Had they received the information in time, there probably would have been no strike.

The motive for this text is data compiled by the Yugoslav Union about strikes in the first 6 months of this year. Although they have not been completely worked out and analyzed, Milan Jovicic, advisor to the VSSJ, gave us some facts for the entire country. There were a total of 172 strikes. Although complete data has not been obtained from all the republics and provinces, it can still be said that 11,800 workers participated in 166 of them. Comparisons show that there were few strikes last year at the same time, and that fewer workers had participated in them.

When we wrote this text, all these facts had not yet been completely analyzed statistically, but on the basis of our investigation, it can be said that, for example, in four republics and provinces the number of strikes has increased. In the other four, the number has fallen. It is interesting that there were more strikes in Slovenia than in Croatia, and that more workers took part in them. In several collectives there were more than 400 dissatisfied workers. In Croatia there were only two instances when more than 100 workers participated in strikes (200 and 400). Not one strike was noted in Montenegro during the same period!

Although there are more strikes in Yugoslavia, the number of workers taking part in them is approximately the same as it has been in recent years, averaging from 60 to 70. The average duration of a strike, however, has fallen since 1980. Then, strikes lasted around 10 hours, and today around 5 hours.

Preparing the data, we even heard in the Croatian Union the idea how in recent times strikes have come about because of dissatisfaction with the general situation. What the "general situation" is, we were not able to determine in these conversations. It can be concluded from practice, however, what it concerns. Everything revolves around wages. For example, the union in Slovenia has analyzed work stoppages and declared these following reasons as their causes: low wages in 17 cases, wages lower than last month's in 5 cases, wages which varied among different work units also in 5 cases, nonpayment of wages or overtime also in 5 cases. Two-thirds of the strikes occurred because of dissatisfaction with wages!

When one speaks about "the general situation" as a cause of strikes, he cannot and must not expect only the shutting off of machines and the drawing up of demands for cheaper bread and sugar. It is not accidental that most strikes in Yugoslavia take place in industries which pay the lowest wages and in collectives which are last in dividing profits. All the disparities in prices and other objective "general weakness" break down into their wages in the meat, textile, metal and other industries.

This general situation, moreover, is not new. Ivan Jakopovic, the secretary of the Commission for Self-Management and the Political System of the VSSH, who wrote his doctoral dissertation on this theme, also interpreted some older facts for us. According to his research, already in 1980 the direct decrease in wages ceased to be the main cause of strikes. Worker dissatisfaction in the greatest number of cases was stimulated during this time by the fact that they already had for a long time receive low wages. According to his research, around two-thirds of all strikes occurred in three areas: the production and

processing of metals, the textile, leather, rubber and shoe industries and the construction and construction materials industry. We have already said that a similar state exists today. Lidiya Mohar-Grgurevic, in research in Slovenia, has obtained data that shows that 99.2 percent of striking workers were from direct production sector and more precisely, exclusively from the material production sector. The determination of the unions to get to the strikes' real cause is obviously based on such basic facts.

The union is not the only group to worry about strikes. These facts have also come to the attention of the League of Communists and organs of the Sabor and assemblies. In this text we will speak only about the data, which we obtained from the union. According to the conclusions of the VSSH, all union organizations are obliged to provide three types of information about strikes: when dissatisfaction or a conflict situation, which could develop into a strike, is manifested among a majority of workers, when a strike actually breaks out and an analysis of the events after the strike. The descriptions of individual strikes make interesting reading.

One of the last strikes in Croatia took place in the OOUR Kamteka of the RO Kamensko in September.

Representatives of warehouse and transport workers announced that they struck because of very low wages (7200 and 8000 dinars), interpersonal relations and the very slow working out of the SAS concerning the systematization and evaluation of work and tasks. In July the average wage was 12,500 dinars. The working out of the SAS was entrusted to the Institute for Work Productivity in Ljubljana.

This has allegedly already lasted 2 years and cost 350 million old dinars.

This, coupled with the fact that in recent years most strikes have taken place among textile workers, testifies that general conditions are driving workers in this sector to strikes. Nor does the fact that there are many women among them obviate this conclusion.

We must add that the largest strike in Croatia was held in the RO Pobjeda of Zagreb. There were 400 strikers and their motive was low wages. But the workers sought to work at full capacity in order to receive greater wages so they could cover basic living expenses. The second largest strike took place in the OOUR Mali Motori in Ivanec. It was caused, among other things, by low wages. The workers also struck because of the factory's poor heating, a reduction in the annual vacation, poor interpersonal relations and technological changes. But, of the 35 strikes which took place in Croatia, 30 were connected to wages!

Differently from the entire country, the number of strikes in Croatia was less than last year in the first 6 months. Also, the number of strikers was less, by more than 400 workers. Last year, however, strikes lasted 201 hours, while through July of this year, they had lasted 233 hours. There were no personal confrontations in any of these strikes, nor were any machines or products destroyed. Lack of communication was shown to be one of the most frequent causes of the strikes. On this subject already in 1974 Vladimir Bakarić had

written, "The entire series of work stoppages was positive or bordered on the positive, at least in the sense of the self-management, although the appearance of strikes is sign that the basic organizations of the League of Communists must immediately verify the causes and begin to solve the problems. After all, it is not normal that strikes should take place under our conditions. It is not normal, although I am not condemning them. Each of these strikes lasted only a few hours, and in truth aired matters which should have been aired much earlier, only no one had done so, and this was a cause of the strikes."

We must differentiate between poor communication and poor management. There are instances of the workers peacefully returning to work after they had received precise and complete, albeit late, information. What can be said for the case when workers were not paid on 19 February for work done in January? They went out on strike, and in the OOUR Tvornica Namjestaja of Nova Gradiska wages were paid on the following day! If there sufficient funds, why weren't the wages paid on time? It appears that they have gone the furthest in Slovenia to eliminate the causes of strikes. We hope that our contributors will not anger their union, if we claim that they were the first to recognize their "error." Instead of only statistically noting the number of strikes and their causes, their Presidency held discussions about them in February and accepted a directive instructing the basic organizations and union activists how they should behave in solving the disputes which cannot be solved by normal self-management means.

Investigations have shown that in many cases where conflict situations have arisen (so it is said in Slovenia and we are citing them) the workers clearly alerted self-management and business organs about illegalities, and yet nothing was done. All this has forced the union to define its role more clearly. So, for example, the union, upon the demand of workers who are involved in some self-management dispute, must immediately demand the initiation of proceedings in the worker's council. It must also inform the self-management working control, the basic organization of the LC and other sociopolitical forces about everything. If in some cases the workers did not turn to the union, it itself is obliged to initiate the mentioned proceedings.

When disputes arise between the workers of some collective and the organs of a sociopolitical association, the union is obliged to initiate proceedings in the communal assembly. All the obligations and responsibilities of the union's leadership in conflict situations have been enumerated. It has been shown that after matters had been so arranged there was only one real strike in July. In June there were 14, and in April, 16. We asked comrade Mira Gosnik, a member of the Presidency of the VSS Slovenia why in general the union is occupied with strikes when they are not officially recognized in any of our documents, but are not denied either?

[Answer] In the ZUR they speak about disputes in the OURs and the role of unions. Although they do not mention strikes, it is obvious that they are also concerned about them. Our work is based on these assumptions. You ask what kind of differences we see between strikes and the surprising meeting? The first difference is when the worker literally throws away his tools or the key and shuts down the machines. In the second case some people still in this milieu are capable of calling a meeting to attempt to solve the disagreements even without stopping production.

/Question/ Nevertheless, you succeeded in checking the growth of the dissatisfaction?

/Answer/ Surely, the union, along with other forces, helped, but the economic development itself did so as well. We know that it is stable in our republic, and with work comes income. We concluded that wages are the main cause of strikes. If we could allow workers to earn decent wages, we would eliminate the motives for conflict situation as well.

/Question/ Were machines or any physical inventory destroyed?

/Answer/ There were no such damages, but more damaging were the relations, which had developed in the collective. You already have the characteristic phenomenon that workers, after information about the real situation in the collective, dispersed. It is not sufficient, however, only to hold discussions and disperse. Political responsibility would have to be established even after the strike. It is inconceivable that no one in the management organ knew that something was cooking, that no one had a feeling for how serious the matter had become. Because strikes do not just break out.

Many things are illogical in their resolution. Managers promise that everything will be better, for example wages, in a day or two. How is that possible now and was not 2 days ago? They dare not be satisfied with such a manner of conflict resolution. This is a sign that some self-management norms are being broken! Therefore, some of the workers are concealing the real state of affairs in this collective.

/Question/ Did the public know about all the strikes?

/Answer/ There is no example of the public not being informed. But this information sometimes can lead to other results. After some articles appeared in the newspapers some readers could think that all you have to do is make a lot of noise and you will receive whatever you want. But this is the remains of the idea about workers' wage relations. "Let's go strike and the boss will give us one percent more wages." The activity of the union among us has shown that there are different paths and that many disputes can be settled in a peaceful manner and without the stopping of machines.

/Question/ Nevertheless, are there cases where the union was powerless?

/Answer/ There are signals that the cadres do not think well of us. Some statistics show that some kind of semimanagement structure, as I call it, has been included in the union. It is not that they have no connection with production. They come and go a hundred times daily around the factory, but with pencils and not keys in their pockets. Are they in cahoots with management? In a healthy collective, this is called cooperation. Normally, the union prepares actions in cooperation with other organs. However, if the union works according to the directives of the management organ or some other body in the collective, then it is. It also happens that some activists, coordinators or I don't know what they are called, propose the union leadership, and not the workers themselves.

/Question/ What about the responsibility of the strikers and those who indirectly or directly have pressured them?

/Answer/ I do not think that anyone in Slovenia has lost their job because of strikes. As far as management is concerned, you are probably thinking of the example from Kidric. The basic reason for the disagreement in that aluminum combine was that some OOBs had begun to behave like working organizations. The OOB Proizvodnja aluminija did not want to be placed in the plans of the Working Organization Tovarnica glinice Kidricevo. A strike of some 20 workers ensued. Later, they wanted to suspend and fire them. Now, "temporary measures" are in effect there. The collective's management, the union's leadership and the worker's council were replaced...and to put it simply, all were involved together with the director. It was impossible to resolve this situation without personnel changes. Along with the help of sociopolitical organizations and comradely criticism, they acted on their own. There was, however, no criminal responsibility here, these were sociopolitical sanctions.

/Question/ Finally, will you explain to us what happened in Izola? Workers went out on strike there, but the union did not "support" them. We heard that a man, who wrote letters about all sides of the collective was fired. When he returned to work, the workers went out on strike.

/Answer/ One manager of Mehanotecnika was fired. The judge decided that the procedure was illegal and the man returned to work. Some 400 workers went out on strike. That is nothing unusual. But, where would we be if we do not honor judicial decisions?

Union Data Concerning Strikes in Yugoslavia

	<u>Strikes</u>	<u>Participants</u>	<u>Hours</u>
From Jan to June 1982	79	5,603	390 (for 71 strikes)
From Jan to June 1983	172	11,800 (for 166 strikes)	728 (for 145 strikes)

Average Number of Participants in Strikes in Yugoslavia

1980	63 workers	1981	70 workers
1982	65 workers	1983	71 workers
(Jan to June)			

Average Length of Strikes in Yugoslavia

1980	10 hours	1981	6 hours
1982	5.5 hours	1983	5.4 hours

12217

(SO: 2800/25)

NEED FOR SMALL BUSINESS AS INTEGRAL PART OF ECONOMY

Belgrade PRIVREDNI PREGLAD in Serbo-Croatian 8-10 Oct 83 p 2

[Article by Rodoljub Zivkovic: "Unused Potential"]

[Text] The basic strategy for the development of the small business sector is contained in all the documents of the country's socioeconomic and political development, but now it is also more topical from the standpoint of the effort to carry out the policy of economic stabilization. Faster development of small business, then, is a priority task, and that not only as the policy of the moment, or as a certain relaxation in view of the difficulties we now confront. Its importance today is derived above all from the overall material and social level which we have attained. That is, we have entered a phase when, following the necessary investment in large and medium-sized production facilities, we must devote greater attention also to the smaller, but indispensable and profitable, production and service units.

The dependent relationship between development of the entire economy and simultaneous development of small business is an objective fact, which accounts for the efforts to achieve greater results in coming years. After all, small business is an activity in which an organic linkage is achieved with overall economic and social development. But, if we are to be frank, we must acknowledge that small business--although the socioeconomic commitments concerning the need for its development have been known for a long time now--has lagged behind considerably in the period up to now. And this has also created certain structural disproportions in the overall development of the economy. That is, overall efficiency and competitiveness have been considerably reduced. It has even come to the point where the increasingly developed economy is showing constant shortages of certain goods and services which--given appropriate division of labor, linkage and interdependence from production to export--can be made up only by small business.

New Jobs at Lower Cost

But, for the sake of objectivity, if a parallel is drawn between the past year and the year before last, we cannot but note that the first steps have been taken. Among other things, the figures show that in 1982 we had 2,526 organizations of associated labor in the small business sector, 104 of them contract organizations and 236 of them cooperatives in the crafts and trades.

About 190,000 establishments have been recorded in the self-employed sector of small business, and more than 500,000 persons are employed in small business activities, or about 9 percent of the country's total employment.

In view of the experience of the historically advanced countries and also in the light of present-day technological and technical development, it is clear that in future production cannot be based exclusively [original reads "explicitly"], as up to now, in large-scale industrial facilities, but must rely also on smaller facilities, on linkage with them, and, in our context, on formation of associations based on shared income as well. It is a fact that a large number of our industrial facilities are still burdened with the manufacture of products which could be produced more optimally, from both the economic and technological standpoints, in smaller organizations.

It is socially more efficient and economically more sound to open up a sizable number of jobs in small business, since the average investment required for that purpose is about 300,000 dinars. That means that the same resources can open up five times more jobs in small business than, say, in the manufacturing branches of industry, where the investments required for each job are considerably greater and amount to more than 1.5 million dinars. There is no need to go into the justifiability of opening up such jobs, but it also seems to us beyond dispute that the greatest potential and need for the development of small business lies precisely in associated labor. The examples of organizations of associated labor which have dropped from their production programs products unprofitable for them, but very interesting and profitable for production in small business, show that quite a bit can be done in this direction.

Opportunity for Linkage Based on Income Sharing

Under the more difficult conditions for the conduct of economic activity, especially in view of the difficulties in purchasing certain imported products, certain organizations of associated labor have a marked interest in collaborating with small business either through industrial cooperation or by turning the manufacturing of certain products in their production program over to small business. Many organizations have already built small plants located in many distant villages ("Javor" of Ivanjica, "Gosa" of Smederevska Palanka, "Crvena Zastava" Plants of Kragujevac, and Electronics Industry of Nis, for example, have built service centers and small shops, and "Meblo" of Nova Gorica, "Gorenje" of Velenje, "Iskra" of Ljubljana, "Simpo" of Vranje, "Rade Koncar" of Zagreb, "Slobodan Penecic-Krcun" of Sevojno, and UNIS of Sarajevo and others have turned over business to organizations of associated labor in the small business sector). However, there are still too few complex organizations, work organizations and basic organizations carrying on cooperation with small business. Changing these proportions certainly requires not only broader involvement of workers from associated labor and those who are themselves carrying on production, but also a change in the practice that has prevailed up to now of having such decisions made in small professional management circles.

Nor should we forget the great advantage which small business has in mobilizing the personal resources of individuals for production purposes. Yugoslavs employed temporarily in the countries of western Europe are showing a particular interest in this. Many of them see self-employment in one of the small business activities as the way they can make a living. So, there is a general conviction that this economic activity has prospects and that their savings can be invested in it and their lasting employment and living related to it. This orientation also follows because small business is a segment of the new needs and products on the market and indeed also of the new technology and tendencies in organizing the production of products necessary to every advanced economy, even one that is structurally balanced.

That is why development of small business has lasting relevance and should not be related solely to the present economic situation. This task should be taken up in all the relevant social structures as an organic part and need of overall economic development.

7045

CSO: 2800/46

STATUS OF FEDERAL FUND FOR UNDEVELOPED AREAS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8-10 Oct 83 p 4

[Text] A meeting recently held of the assembly of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces discussed fulfillment of obligations to the fund and of its obligations to subscribers to the loan in 1983. That is, as the debtor concerning the funds paid in under the loan, the fund has an obligation to see that resources are furnished in good time to make the annual payments against the bonds issued to loan subscribers.

In 1982 serious problems arose in furnishing resources to pay off the guaranteed obligations of the fund to subscribers to the loan, so that at the end of 1982 unmet obligations to the fund amounted to 1,355 million dinars (the obligations of commercial banks are 838.1 million dinars, and the assumed obligations of the republics and autonomous provinces 516.9 million dinars). In spite of the measures and activities undertaken by the assembly of the fund to see that obligations to it were discharged within the legal period, because of the greatly more difficult conditions for the conduct of economic activity by the republics and autonomous provinces, some of the obligations which came due for 1982 were discharged only in the first half of this year.

Obligations

The figures on discharge of regular obligations for 1983 indicate that the Associated Commercial Bank of Sarajevo discharged its obligation at 67.2 percent, the Associated Investment Bank of Titograd at a level of 47.3 percent, the Associated Commercial Bank of Skopje at a level of 55.7 percent, and the Associated Bank of Kosovo in Pristina at a level of 30.8 percent. Judging by these figures, performance was 48.5 percent in bridging the differences between the conditions under which the loan is subscribed and those under which the resources are lent out.

Up through 1 September 1983 commercial banks paid into the fund 3,313.9 million dinars, or 59.8 percent of obligations come due. We should point out that they were late in discharging their obligations to the fund. There are several reasons for this, above all difficulties in collecting these resources from those using credit because of reduced accumulative and reinvestment ability, the high level of indebtedness, large losses in business

operation, extension of deadlines for completion of major projects being financed in part with resources from the fund, and so on.

Since the obligations represented by annual repayments of the credits granted are increasing year after year, appropriate measures have to be taken to bring the rate of this payment by the banks into line with the dates for discharge of obligations to subscribers to the loan. One solution for overcoming this problem should be sought in the possibility of reducing lending from the resources of the compulsory loan by the amount of repayment to the fund which has not been made or by means of a steady rate of repayment of the credit.

Reexamine the Legislation

It is well known that up until 1980 the republics and autonomous provinces made provision in the federal budget by agreement to cover the differences that arose because the resources were loaned under more favorable terms and conditions than those under which the mandatory loan was subscribed in the period 1971-1980. Up until 1 September of this year the republics and autonomous provinces had met obligations based on bridging the differences at a level of 72.8 percent, which meant a shortfall of 137.8 million dinars. In view of the legal provision that schedules for repayment of credits must be in line with schedules for repayment of the mandatory loans, furnishing the resources to bridge the differences is a particular problem. That is why a reassessment should be made of the legislation regulating this subject matter so that stable sources of resources would be furnished for these purposes and to bring the rate of their discharge into line with the fund's obligations to loan subscribers.

The fund has regularly transferred the resources collected in repayment of credit to the National Bank of Yugoslavia, which in its name and on its account has not only issued the loans, but has also amortized the coupons come due on the fund's bonds, so that there has been no lag in their payment.

At the outset of 1983 the fund's obligations to loan subscribers amounted to 8,651.4 million dinars. As it also did for previous years, back last year, in order to furnish these funds in good time, the fund adopted a plan for repayment of the loans and the credits coming due as of 1 January 1983. All competent federal, republic and provincial agencies were informed in good time of the amount of these obligations and requested to take the necessary steps so that the obligations would be discharged to the fund within the prescribed period of time.

However, certain difficulties have arisen in 1983 in providing the funds necessary to pay off the loans made to the fund in the period 1971-1979. The problems were especially pronounced at the beginning of the year, precisely when most of the couponholders from the fund's bonds took advantage of their legal right to cash them. Since the republics and autonomous provinces did not pay to the fund within the prescribed period the earmarked resources used to pay off the mandatory loan, and since in the meantime the anticipated measures have not been taken by the competent federal agency either, the fund is obliged to intervene with the resources of the current inflow to make up the shortfall of the funds received in repayment of the credit.

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17 Nov. 1983